

THE FUTURE BELONGS TO THOSE WHO GIVE SHAPE TO IT.



Visionaries foresee the future and are better prepared to usher in tomorrow.

It is the same with organizations that pursue excellence. They analyse developing trends, anticipate and engineer transformation and capitalize on forthcoming opportunities. In the process, they don't just make the most of the future, but give shape to it.

We are proud to say that this year Godfrey Phillips India has invested in the future of people, profit and the planet with new projects and social initiatives.

In the near future, the efforts will bear fruit, benefiting the company, the shareholders, and above all, the common man.



DOMESTIC BUSINESS

While this year Godfrey Phillips India fortified its traditional strengths, the company also forayed into new markets and categories with brand launches. The initiatives were well received giving credence to the belief that the best way to manage the future is to create it.

PAN VILAS

After three years of extensive research on product development and consumer understanding, Godfrey Phillips India successfully test launched Pan Vilas in four key markets.

Godfrey Phillips India was able to develop a Magnesium Carbonate-free pan masala which is compliant to the stringent requirements of PFA rules. The state-of-the-art plant specially set up at Baramati employs some of the world's most advanced food processing technologies including an imported supari multi-cleaning and processing unit, a cutting-edge supari uniform-roasting unit and high-tech packaging machines. Further, the sales and marketing strategies, based on in-depth consumer, competitor and trade understanding, raised the bar in the way the category is traditionally marketed.

The success in meeting the strict test launch metrics and the overwhelming response to Pan Vilas from both consumers and trade has given Godfrey Phillips India the confidence for a national rollout in 2010-11.



TWENTY FOUR SEVEN

Godfrey Phillips India diversified into retail segment with the launch of Twenty Four Seven Stores. Open round-the-clock selectively, these convenience stores serve as a one-stop destination that offers a variety of products and services, including groceries, ready-to-eat world cuisine, wide assortment of beverages, pharmaceuticals, cosmetics and personal care, music and movies, magazines, domestic and international courier services, Kodak instant photo development, credit card and utility bills payment, prepaid mobile phone recharge facility, movie tickets etc. Twenty Four Seven Stores, currently located in the central areas of Delhi, have already found wide acceptance.



TEA CITY

The tea business saw several new initiatives and remarkable growth this year too.

Tea City continued its progression in portfolio development, brand launches, packaging makeovers and format introductions in 2009-10 too. Domestic business sustained the trend with a volume growth of 7.8% at 6,271 tons (as compared to 5,815 tons) and value growth of 30% at Rs. 95 crore (as compared to Rs 73.07 crore), ahead of overall industry performance. Retail audit (AC Nielsen) figures place Tea City in the top 10 national packaged brands and it has been rated in the top 5 contributing players in modern trade.

This year witnessed the launch of Super Cup Duet as an extension of Super Cup, in a new avatar of premix of granular and Darjeeling tea leaves. The pack graphics highlight this product property. Clutter breaking festive packs in Samovar for Eid and Super Cup for Pongal were introduced. All these developments and continued initiatives have led to a positive growth of all portfolio segments.



MARLBORO



Godfrey Phillips India has an arrangement with Philip Morris International to manufacture and distribute their brands, including the iconic Marlboro brand of cigarettes. Available at selected cities in India in approximately 65,000 retail outlets, the brand has 7 variants including the recently launched Marlboro Gold Advance. The Marlboro portfolio has seen a growth rate of over 30% since the strategic alliance.

RED & WHITE



Red & White's growth saga continued with improved performance year on year – both in existing and new geographies. The brand strengthened its image equity with consistent and innovative initiatives in packaging (Limited Edition Packs), merchandising and visibility. With steady performance, focused consumer initiatives and relentless product improvements, the brand's endeavour is to keep on enhancing its value proposition to consumers.

CAVANDERS



This year marked a major milestone in the longstanding history of Cavanders – one of the oldest and the most trusted brand from the Godfrey Phillips India stable - with the launch of Cavanders Gold and Cavanders Special. Cavanders Gold was launched in the existing markets whereas Cavanders Special was introduced in the new market of Tamil Nadu. Keeping view of the changing needs of the consumers, the new variants have been specially crafted to perfection to offer a unique value proposition to the consumers.

FOUR SQUARE



This year, the brand lay emphasis on connecting with consumers through innovative ideas and focused on strengthening its brand image. Leveraging the advancements in technology, Four Square introduced a Limited Edition Series with an innovative pack design that had, for the first time in India, a complete tactile look and feel. In the eastern front, Four Square Fine Blend gained strong momentum post launch last year and is well on its way to becoming a dominant player in the market. Overall, the franchise delivered a steady performance and with new initiatives planned for near future, Four Square is steadfast in its effort to bring delight to the consumers.

INTERNATIONAL BUSINESS

Godfrey Phillips India performed well in the international market, with a turnover of Rs. 109 crore in 2009-10, clocking a healthy growth of 53% over the previous year with a 77% volume growth and 84% value growth in cigarette exports. Our international division also opened six new markets in East Europe, Australia, South America, Southeast Asia and Central America adding to their significant areas of operations.

IT IS EMPOWERED EMPLOYEES WHO LEAD AN ORGANIZATION'S TRANSFORMATION.

OUR WORKFORCE

Godfrey Phillips India continued its commitment towards employee development and various organization-wide projects were undertaken towards this objective. With the belief that emotional intelligence (EQ) leads to superior performance, numerous workshops were conducted through the year on EQ for all managers.

The company conducted various interventions on Multiple Product Handling to equip sales force to deal with new business scenario of various new product categories. An employee engagement survey was also held to identify areas for intervention and plan for the employee requirements. Further, a job evaluation exercise and a process for identification and development of leadership pipeline were initiated to select, develop and nurture future leaders of the company.

To encourage close collaboration of employees and inspire them to work in unison as a motivated team, the company launched an enterprise portal that gives employees access to all information about the company. Similarly, a portal was also created for customers and business partners for smoother interaction with the company.



EVERY SMALL IMPROVEMENT **TODAY** SOWS THE SEED OF HUGE TRANSFORMATION **TOMORROW.**

LEAF DIVISION

Godfrey Phillips India believes in constantly improving its work environment and productivity. Everything from the small steps the company takes to the big advances it has made stems from this belief.

Godfrey Phillips India Leaf Division is dedicated towards imparting the latest technical know-how to the farmer and improving the quality and productivity of tobacco cultivation to make it a remunerative proposition for him. With this objective, the company undertook development activities in various regions. The Leaf Division conducted a grass root level intervention with farmers and transferred improved set of practices from lab to land, and provided seedlings, extended technical guidance, fertilizers and materials for curing sheds at subsidized prices. As part of the continuous efforts to increase business, the Leaf Division also identified farmers for growing cigar wrapper. Many of the adopted farmers have been winning prizes from the Tobacco Institute of India, and this year too, five farmers associated with Godfrey Phillips India were felicitated. The Leaf Division also worked on awareness programs on child labour as their social responsibility.

MANUFACTURING UNITS

The sustained and committed efforts towards environment management by the manufacturing units bore fruit with the Guldhar factory (subsidiary of Godfrey Phillips India) winning the coveted Green Tech Gold Award for "Outstanding Achievement in Environment Management". It also received the Eco Friendly Award from Ghaziabad Management Association for implementing 'Best Environment Management Practices'.

The Andheri factory won the Greentech Safety - Silver Award in recognition of excellence and outstanding achievements in safety management. It was also conferred the 'Excellence Award' for the 13th year in a row by the Indian National Suggestion Scheme Association (INSSAN).



The Andheri factory was also upgraded and recertified with ISO 9001:2008 and OHSAS 18001:2007. The company's new manufacturing unit in Rabale was registered with IGBC for green factory building and it is the first registration after Standard for Green Factory Building was launched in June 2009.

The units also undertook various initiatives to increase efficiency, quality and productivity. A new line for Super Slim cigarettes was installed at Guldhar Factory (subsidiary of Godfrey Phillips India) primarily to cater to the increased demand for Super Slim cigarettes in the export market. The pilot plant for expanded tobacco was commissioned, which helps in improving the quality of cigarette blends and cost efficiencies. A high speed packing lines imported from Italy was installed at both factories, running at 600 packets per minute.



TO INITIATE SOCIAL TRANSFORMATION IS TO GIVE SHAPE TO A BETTER WORLD.

As a responsible and concerned corporate citizen, Godfrey Phillips India undertook initiatives that brought in constructive changes in society. The activities the company has undertaken have benefited underprivileged women, and championed acts of bravery.

RECOGNIZING THE BRAVE

Godfrey Phillips Bravery Awards, a resolve that began in 1990, is today, in its 19th year, a nationwide movement. It salutes and celebrates individual acts of bravery and brings to light



today's unsung heroes, inspiring many more. This year Godfrey Phillips Bravery Awards broadened the definition of bravery to include those who work against social evils, champion the cause of women and transform society, and a new category - Amodini - was created for women.

The national award function was a prestigious event attended by several famous personalities, and widely covered by the media. The television commercial created for Godfrey Phillips Bravery Awards won the Bronze Award at Abby (Goafest), India's most prestigious advertising festival.

AMODINI

The first step towards women's emancipation is to impart them with the skills they need to pursue a vocation and gain financial independence. Realizing this, Godfrey Phillips Bravery, in close collaboration with some renowned NGOs, initiated several major projects for underprivileged women, under the aegis of Amodini, a women's empowerment initiative.

The various projects strive to provide primary and secondary education to underprivileged women, conduct vocational training for women, aid in higher skill and product development that help them create premium products out of traditional goods. With the initiative by Amodini called **Gift for Good**, products made by economically challenged women were promoted to organizations and individuals as social gifts. The programme was quite well received for its unique and focused communication.

Over 1,000 women would have benefited from Amodini initiatives this year.



CHAIRMAN'S MESSAGE

Dear Shareholder,

The Indian economy has been on a consistent growth path after the brief hiatus of observation and caution, following the global financial slowdown. Our policymakers are optimistic in their projections for a fast paced double-digit growth in the next four years. The government is in the process of undertaking necessary reform measures to supplement its already robust fundamentals, with a view to encompassing holistic development in the growth forecast.

However, India's declining exports are expected to take longer to grow. This is due to the fact that the global financial crisis has been controlled by stimulus and is not a natural recovery. Greater export and international trade growth would require fundamental policy changes such as reduction in tax burden, improving export infrastructure, rationalisation of port service charges, etc.

The growth of the Cigarette Industry has continuously been restricted by escalating taxation and constraining regulations. On top of that, the Goods and Services Tax, expected to be implemented in 2011, would be an unfair 'tax on tax', as it is proposed to be levied ad-valorem, instead of on product cost net of excise duty. The increase in excise on cigarettes by 18% in the Union Budget, coupled with rise in VAT to 20% in some States, has resulted in shifting consumer segments and affected costs.

However, your Company has successfully responded by reiterating collective representation, product customization, diversification and geographical expansion.

The accolades for safety, environment consciousness and quality won by our colleagues have been the silver lining and encouraged us to review our internal benchmarks. We intend to renew our commitment to sustainable development and enhance existing backward linkages. An industry whose growth is being continuously restricted needs to walk the proverbial extra mile to maintain neutrality and desired positioning.

We are all resolute and committed to reiterating our standpoint and eventually achieving the required goals of higher growth for your Company.

Warm regards,

R A Shah
Chairman



PRESIDENT'S MESSAGE

Dear Shareholder,

It gives me immense pleasure to share another year of good performance by your Company.

Despite the influence of various environmental factors, your Company has maintained its growth momentum. The unstinted efforts of our colleagues have helped us achieve sales growth at 15% over last year, to reach Rs 2,608 crore. Profit before tax is at an impressive Rs 167 crore. The Board of Directors are delighted to recommend a dividend of Rs 25 per equity share for the year 2009-10.

We continue to channelize our efforts and resources towards consolidating our presence in existing markets and expanding in new markets in the eastern and southern regions, i.e. West Bengal and Tamil Nadu, and are confident of achieving the desired growth targets. We constantly endeavour to benefit from inherent capabilities to introduce innovative products suited to customer preferences and our products in new markets have been widely appreciated by our consumers and trade partners.

Your Company maintains its arrangement with Philip Morris to manufacture and distribute several of their brands, including the iconic 'Marlboro' cigarette brand. It is available pan-India in about 65,000 retail outlets. The brand has 7 variants including the newly launched 'Marlboro Gold Advance'. The Marlboro portfolio has seen a steady growth of over 30% since the time the arrangement fructified.

In keeping with the spirit of expansion, your Company has successfully launched a new mouth freshener, 'Pan Vilas – Pan Masala', which is manufactured from our dedicated state-of-the-art plant at Baramati.

The superlative performance of our team is depicted by, but certainly not restricted to, the many awards received in the categories of Cigarette Manufacturing, Export of Un-manufactured Tobacco, Export of Cut Tobacco, and Export of Cigarettes. Further, their exemplary sensitivity towards food safety management, environment protection and operational innovation has brought them the Eco-Friendly Industry Award of the Year. On your behalf, I applaud their unmatched commitment and congratulate them most heartily.

These are changing times for our economy and calls for prudent measures to maintain stability. It is poised for double digit growth. We intend to contribute in good measure to this growth.

The tobacco industry is impacted by increased taxation and global regulatory influences, but has responded well with product innovation, geographical expansion, increased customization and reinforced engagement with the authorities.

Our products and market expansion strategy are driven by our competence to exploit enormous potential. Your Company's commitment to renewed growth plans would be strengthened by your unstinted support and guidance, and team Godfrey Phillips shall strive to enhance its role beyond an organization to that of a partner in progress and collective advancement.

Warm regards,

KK Modi
President



BOARD OF DIRECTORS

• R. A. Shah	Chairman
• K. K. Modi	President
• L. K. Modi	Executive Director
• Samir Kumar Modi	Executive Director
• Lalit Bhasin	
• Anup N. Kothari	
• C. M. Maniar	
• O. P. Vaish	
• R. Ramamurthy	Whole-time Director

COMPANY SECRETARY

Sanjay Gupta

AUDITORS

A. F. Ferguson & Co.

INTERNAL AUDITORS

Lodha & Co.

SOLICITORS

Crawford Bayley & Co.

BANKERS

- State Bank of India
- Bank of Baroda
- Bank of India
- Citibank N. A.
- State Bank of Hyderabad
- State Bank of Travancore
- The Hongkong and Shanghai Banking Corporation
- Union Bank of India

REGISTRARS AND TRANSFER AGENT

Sharepro Services (India) Pvt. Ltd
13 AB, Samhita Warehousing Complex,
Second Floor, Sakinaka Telephone Exchange Lane,
Off Andheri Kurla Road, Sakinaka,
Andheri (East), Mumbai - 400072

CORPORATE OFFICE

49, Community Centre, Friends Colony
New Delhi - 110025

OTHER OFFICES

Ahmedabad, Baramati, Chandigarh, Chennai, Ghaziabad,
Hyderabad, Kolkata, Mumbai, New Delhi

LEAF DIVISION

Guntur (Andhra Pradesh)

REGISTERED OFFICE

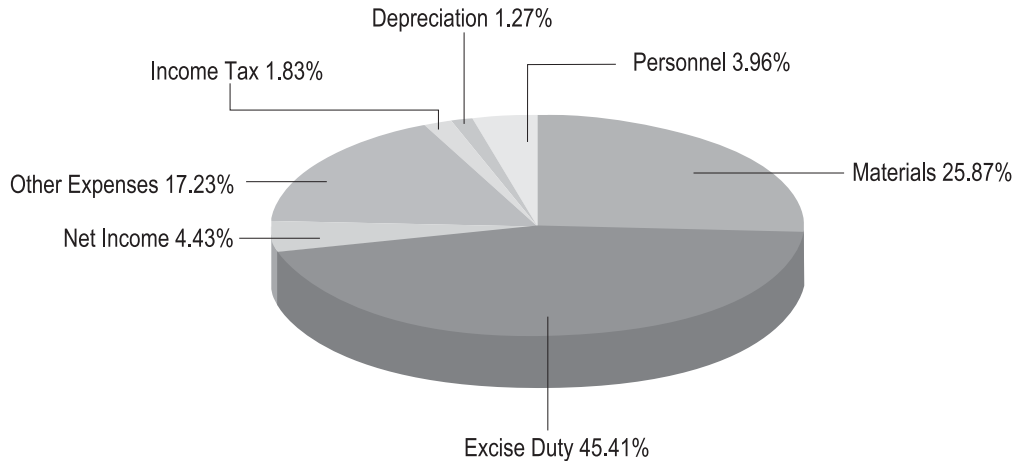
Chakala, Andheri (East), Mumbai - 400099



GODFREY PHILLIPS
—INDIA LIMITED—

FINANCIAL HIGHLIGHTS

Revenue Distribution



Financial Highlights

Rs. in lacs

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
CAPITAL EMPLOYED										
Net Fixed Assets	31896	25980	15337	12655	12984	12920	8732	7413	7037	6987
Investments	19485	20986	32957	24627	21100	19916	14473	15636	12873	8080
Working Capital	26823	20172	12205	10962	9809	4513	6575	5429	8510	12041
Deferred Tax Assets (net)	-	236	-	-	-	1576	1239	797	-	-
Total	78204	67374	60499	48244	43893	38925	31019	29275	28420	27108
FINANCED BY										
Shareholders' Funds	66652	57845	49996	41815	36046	32701	28950	25966	24170	21597
Borrowings	11455	9529	10338	6073	7439	6224	2069	3309	4029	5511
Deferred Tax Liabilities (net)	97	-	165	356	408	-	-	-	221	-
Total	78204	67374	60499	48244	43893	38925	31019	29275	28420	27108
OPERATING PERFORMANCE										
Gross Revenue	267292	232445	187634	163277	145712	132538	120219	109639	96002	100439
Excise Duty	121386	115636	94040	82423	76176	61021	55769	52085	47049	44375
Depreciation	3391	2803	1977	1907	1837	1655	995	913	811	769
Profit Before Taxation	16740	16591	16974	13523	9969	9995	7649	5690	7184	7237
Profit After Taxation	11839	10890	11222	8810	6013	6360	5218	3791	4780	4656
Dividend	2600	2600	2600	2600	2340	2288	1976	1768	1924	1664
Corporate Dividend Tax	432	442	442	442	328	321	258	227	-	170
Retained Earnings	8807	7848	8180	5768	3345	3751	2984	1796	2856	2822
INVESTORS' DATA										
Earning Per Equity Share (Rs)	113.84	104.73	107.92	84.73	57.82	61.16	50.18	36.45	45.96	44.77
Dividend Per Equity Share (Rs)	25.00	25.00	25.00	25.00	22.50	22.00	19.00	17.00	18.50	16.00
Book Value Per Equity Share (Rs) @	638.69	553.99	478.52	399.84	344.37	312.20	276.12	247.43	230.15	205.42
Number of Shareholders	11364	12350	12824	12740	11261	11719	12539	13068	13198	13797

@ Excluding Revaluation Reserve

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors deem it a privilege to present the Annual Report and Accounts for the year ending March 31, 2010.

GENERAL ECONOMIC ENVIRONMENT

For the Country, the year 2009-10, was indeed a challenging one in the backdrop of continued slowdown in the developed world following the impact of global financial crisis. Yet the Indian economy posted a remarkable recovery not only in terms of overall growth rate but more importantly in terms of its fundamentals which justify belief in India's promising future. The Indian economy's escape from the global financial contagion was mainly due to its robust foundations, and its banking sector remaining largely unexposed to risky assets, as had been financed in advanced economies. The Indian system has focused on deposit-based banking as opposed to being based on banks' short-term borrowings from capital markets.

The economy is expected to grow by 8.7% in 2010-11, with a return to a growth rate of 9% in 2011-12. This outlook would be based on an escalation in investment demand, signs of recovery in the global economy and the positive effects of carrying out critical fiscal reforms such as the transition to Goods and Service Tax (GST) and broader direct tax reforms by 2010-11 to fuel growth. In fact the optimists predict that the economy will soon breach the double digit growth mark to become one of the fastest growing economies of the world.

TOBACCO INDUSTRY

The Economic Survey 2009-10 indicated that with growth in private expenditure on food, beverages and tobacco falling behind the overall growth in private consumption expenditure, the share of expenditure on food items has gradually been declining over the years. As per the CSO (Central Statistical Organisation) data, the share of private expenditure on food, beverages and tobacco was 35.3% (2008-09) of the total private consumption. This is a decline from 39.6% in 2004-05.

After registering a growth of around 14% annually in the eight-year period ending 2008-09, the category of beverages and tobacco products experienced a decline of 2.2% in 2009-10 (Apr-Nov). Cigarette production has not shown any significant growth since 2007-08. The cigarette industry continues to reel under burdensome taxation and an increasingly restrictive regulatory environment.

Impact of Taxation

Union Budget 2010-11 increased excise duties on cigarettes by about 18%, further pressurizing volume growth, affecting product pricing and impacting consumer behaviour, particularly since cigarette consumption, unlike other tobacco consumption, is price elastic. The continuously rising taxes are resulting in a shift in cigarette consumption to cheaper alternatives that have higher tar/nicotine levels. Coupled with the existing rise in VAT on cigarettes from 12.5% to 20% in state budgets, this was another discriminatory blow for the cigarette segment.

Due to various issues remaining unresolved amongst various stakeholders, the earlier deadline of April 01, 2010 for GST implementation stands postponed till next year. The Empowered Committee of State Finance Ministers continues consultations on compensation to states, subsumation of state taxes, Constitutional amendments and model legislation for GST, amongst other issues.

The Industry continues to interact with and impress upon policymakers the need for a rational and stable taxation structure, keeping in view the need to bridge the large differential in tax rates between cigarettes and other tobacco products. The Specific Duty structure for cigarettes has proven to be extremely beneficial and superior to the earlier ad-valorem structure and should be continued. GST on cigarettes is seen by the Industry largely as a 'tax on tax' and is recommended to be levied on 'value' net of taxes.

The Industry continues to address all challenges by competitive strategies based on on-the-ground insights, detailed consumer interface and product innovation.

Regulatory Environment

The Industry continues to be inundated with restrictive regulations. The present graphic health warnings on tobacco packages have become more impactful. The increasing influence of international guidelines pertaining to trade barriers, products, packaging and other related restrictions may present fresh challenges for the domestic cigarette industry.

The Industry has faced ground-level issues regarding interpretation and enforcement of COTPA Rules, prompting successful representations for greater awareness of regulatory updates amongst implementation authorities. On its part, the Industry along with various stakeholders, is cohesively working towards generating momentum towards addressing related issues by engaging regulatory authorities at various levels and highlighting its self-regulated practices, law abiding and responsible behaviour.

SEGMENTWISE PERFORMANCE IN 2009-2010

Cigarettes

Your Company has continued on a steady growth path, albeit affected by the increased fiscal levies through the Union and State Budgets, the more stringent economic environment and growing effort by the Government in increasing health awareness. The proactive strategy adopted in the form of geographical expansion into new locations such as West Bengal and Tamil Nadu, product innovations, and channelising of efforts towards enhancing existing businesses is yielding the desired results. The domestic sales of the Company's cigarette brands registered increase both in volume and value terms. In value terms, it was higher at Rs. 2170 crore as compared to Rs. 1926 crore in the previous year reflecting an increase of 12.6%. In terms of volume, the Company registered a growth of 7.7% over the preceding year. The Company's brands continued to do well. Further, under an agreement with Philip Morris, your Company started manufacturing and selling reputed international brands of cigarette in the Indian market, during the year.

During the first quarter of the current financial year the domestic cigarette sales value was higher at Rs. 603 crore compared to Rs. 573 crore during the corresponding quarter last year.

Tea

The tea segment has been marked with continuous growth, riding on the overall corporate strategy of consolidation and expansion along with new portfolio development and product innovations. Renewed and innovative efforts at increasing brand awareness led 'Tea City' to benefit from portfolio development, brand launches, packaging makeovers and format introductions during the year. As a result, the domestic tea sales during the year were higher at 6271 tonnes valued at Rs. 95 crore compared to 5815 tonnes valued at Rs. 73 crore in the previous year. According to AC Nielsen's Retail Audit, 'Tea City' is placed in the top 10 national packaged tea brands, with a rating among the top 5 of players contributing towards modern trade.

DIRECTORS' REPORT



GODFREY PHILLIPS
—INDIA LIMITED—

During the first quarter of current financial year the Company has achieved sales turnover in the domestic market to the tune of Rs. 20.4 crore as against Rs. 19.8 crore during the corresponding quarter last year.

Exports

The following table shows the status of exports for different products during the year under report :

Commodity/ Product	2009 - 10 Value (Rs. in crore)	2008 - 09 Value (Rs. in crore)
Cigarette	71.15	38.75
Unmanufactured tobacco	206.86	166.71
Cut tobacco	33.76	30.58
Tea	3.40	8.35

The noticeable improvement in the Company's export performance during the year is visible from the above data. Proactive measures and various initiatives to boost export performance have been yielding encouraging results. While cigarette exports in terms of value were higher by 84%, the unmanufactured tobacco export registered a significant increase of 24% over the preceding year. Cut tobacco exports increased by 10% over the previous year.

For cigarette and cut tobacco exports, the Company is actively looking at new markets and has recruited new managers for prospecting business in new geographies. Apart from continuous focus on CIS and Russian Federation, efforts are on to increase number of markets in the current year. The major regions where the Company is currently exporting include South East Asia, Africa, Middle East and Latin America.

For unmanufactured tobacco exports, the measures taken by the Company include broadening the list of buyers and opening of new markets for direct exports in Middle East and Europe. With a view to enhance fruitful business association, customers and agents are being invited to see the Company's operations and infrastructure which has been widely appreciated.

Tea exports, however, registered negative growth mainly on account of loss of business in Kazakhstan due to their Government raising import duty on packet tea rendering the imports unviable. Efforts are being made to forge new international contacts, attain cost and quality efficiencies and meet Multi Original Blend Standard requirements of International Buyers.

During the first quarter of current financial year, the Company has achieved export turnover of Rs. 80 crore which is lower than Rs. 102 crore achieved in the corresponding period of last year. The Company is making all out efforts to achieve higher export turnover as compared to the preceding year and hopes to make up in the remaining part of the year to be able to attain double digit growth as in the past.

Chewing Products

With a view to achieve its growth objectives, the Company has entered into Chewing Products category with the launch of Pan Masala brand "Pan Vilas". This brand has set the benchmark for the Pan Masala Industry in many ways. Firstly, it is free of Magnesium Carbonate, a banned substance and replaces the same with a natural alternate and is made compliant to the stringent requirements of PFA rules. Secondly, it is manufactured in a state-of-the-art plant setup at Baramati, near Pune, which employs some of the world's best food processing technologies – imported multi-stage cleaning unit which removes finest of impurities, cutting edge Supari roasting unit which ensures uniform crispness of supari and high speed packaging machines. Finally, the sales and marketing strategies are based on in-depth consumer, competitor and trade understanding, which has raised the bar in the manner this category has been traditionally marketed.

Pan Vilas, which literally means luxurious indulgence, was test launched in four towns of Jaipur, Ahmedabad, Indore and Meerut in the last quarter of the year under review. Based on the response received from the consumers in these markets, the brand is planned to be extended nationally during the current year, with significant outlays in advertising and marketing.

TREASURY OPERATIONS

Your Company continues to enjoy the highest rating of 'P1+' for Short-Term Debt Programme, 'AA+/Stable' for Long Term Loan, 'AA+/Stable' for Cash Credit Limit and 'P1+' for Non-fund based limits. With these ratings in place, your Company is able to raise funds at most competitive and attractive terms.

Guided by the policy of safe, liquid and tax efficient returns, the Company has been deploying its long term surplus funds primarily in debt oriented schemes of reputed mutual funds. Out of the total investment of Rs. 194 crore as at March 31, 2010, investments of Rs. 167 crore stood in various short term income and other debt schemes of mutual funds. The Company continued to park its temporary surpluses in liquid schemes of mutual funds.

The Company booked an aggregate profit of Rs. 24.45 crore on sale/redemption of investments during the year under review.

FIXED DEPOSITS

At the end of the financial year, the balance on account of Fixed Deposits accepted from the Public and Members stood at Rs. Nil. Presently the Company is not accepting fresh deposits as it is no longer economical for the Company to raise money through this mode of finance.

FINANCIAL PERFORMANCE

FINANCIAL RESULTS	2009-2010 Rs. in lac	2008-2009 Rs. in lac
Gross Profit	20130.54	19393.27
Less : Depreciation	3390.97	2802.63
Profit before taxation	16739.57	16590.64
Less : Provision for Taxation		
- current tax	4552.96	5333.00
- deferred tax	333.04	(400.95)
- fringe benefit tax	15.10	768.23
Profit after tax for the year	11838.47	10890.36
Profit Brought Forward	40307.99	33959.15
Available for appropriations	52146.46	44849.51
Appropriations		
Proposed Dividend	2599.70	2599.70
Corporate Dividend Tax	431.78	441.82
Transfer to General Reserve	1500.00	1500.00
Surplus carried to Balance Sheet	47614.98	40307.99
	52146.46	44849.51

DIRECTORS' REPORT



GODFREY PHILLIPS
— INDIA LIMITED —

The overall sales turnover was higher at Rs. 2608 crore as against Rs. 2269 crore in the previous year, registering an increase of around 15%. The operating margins remained under pressure on account of rise in fiscal levies (VAT, Entry tax, etc.) by the States. Cumulative effect of rising taxes coupled with continuous inflationary pressure both in tobacco and non-tobacco materials and services and volatility in foreign exchange rates witnessed throughout the year, resulted into stagnant bottom-line despite marginally higher volumes during the year. It may not be out of place to mention that during the year your Company contributed to the exchequer over Rs. 1,600 crore by way of various taxes and fiscal levies. After providing for taxation the net profit of the Company was Rs. 118.38 crore as against Rs. 108.90 crore in the previous year.

The Union Budget in February, 2010 gave a further shock with rates of excise duty on cigarettes increasing steeply by about 18%. This has led to increase in prices across all segments.

DIVIDEND

Keeping in view the Company's overall performance for the year under report the Board of Directors of the Company is pleased to recommend a dividend of Rs. 25 per share.

INTERNAL CONTROL SYSTEMS

Your Company has an adequate system of internal control commensurate with the size of the Company and the nature of its business, which ensures that transactions are recorded, authorised and reported correctly apart from safeguarding its assets against loss from wastage, unauthorised use and disposition.

The internal control system is supplemented by well documented policies, guidelines and procedures, an extensive programme of internal audit by a firm of chartered accountants and management reviews.

HUMAN RESOURCE DEVELOPMENT

Your Company continued to move ahead in its commitment towards employee development. Various workshops were conducted through the year on Emotional Intelligence for a large number of managers of the organization. And in order to equip our sales force to deal with new product categories efficiently, various interventions were conducted on Multiple Product Handling. A detailed Level-3 analysis (Kirk Patrick Model) of some critical training initiatives was carried out to understand their impact on business. Also, an employee engagement survey was done to find out what is important for employees.

CORPORATE DEVELOPMENT AND INFORMATION TECHNOLOGY

Your Company has been steadily moving towards higher growth adopting the integrated 3 year strategic planning and clearly defining the annual targets & benchmarks for every line of business. Implementation of the automated 'management dashboard' has given a seamless view of all the performance parameters for the senior management to take suitable action.

The Company has today a robust information technology platform, the employee portal 'connect', that provides for increased employee collaboration, comprehensive content management, a knowledge repository and anytime anywhere access. In order to have a close view of the markets, the Company is implementing the 'Sales Force Automation' system providing hand-held devices to field salesmen to capture granular level information on merchandising, sales and stocks at the retail end. This will help track the movements in the markets for a quicker response. A portal on the internet was also launched to connect with our business partners for capturing secondary market information.

The Company further consolidated on the Enterprise Resource Planning (ERP) system implemented in the previous year through greater streamlining of the business processes and bringing about process improvements.

CORPORATE SOCIAL RESPONSIBILITY

Godfrey Phillips Bravery Awards, a resolve that began in 1990, is today a nationwide movement. It salutes and celebrates individual acts of bravery and brings to light today's unsung heroes, who work against social evils and champion the cause of transformation of society at large, inspiring many more. The national award function was a prestigious event attended by several famous personalities, and widely covered by the media. The television commercial created for the award function won the coveted "Abby" award.

Your Company realizes that the first step towards women's emancipation is to impart them with the skills they need to pursue a vocation and gain financial independence. Therefore, in close collaboration with some renowned NGOs, it initiated several major projects for underprivileged women, under the aegis of "Amodini", a women's empowerment initiative. These projects strive to provide primary and secondary education to underprivileged women, conduct vocational training for women, aid in higher skill and product development that help them create premium products out of traditional goods. Under a project called "Gift for Good", products made by economically challenged women were promoted to organizations and individuals as social gifts. Over 1000 women would have benefited from Amodini initiatives during the year.

The Company has been awarded the Gold Award in FMCG sector for Outstanding Achievement in Environment Management and Silver Award for Safety by Greentech Foundation.

CONSERVATION OF ENERGY

During the year under report, following measures were taken by the Company for conservation of energy :

1. Screw Air Chiller was installed in the Making Department airconditioning plant, thus saving 480 units/day.
2. Installed power factor panel to improve the power factor to 0.99.
3. Implemented server virtualization and precision cooling at the information technology data centre to reduce energy consumption.

TECHNOLOGICAL ABSORPTION, ADOPTION AND INNOVATION

The measures initiated/implemented during the year under report are :

1. Installation and commissioning of high speed (600 packs/minute) cigarette packing machine resulting into improved productivity and product quality.
2. Installation and commissioning of 'on-line laser perforation unit' on cigarette making machine to help improve product quality.
3. Installation and commissioning of 'double paper unit' on cigarette making machine to reduce side stream smoke of cigarettes.
4. Installation and commissioning of 'vertical slicer' to improve consistency in quality parameters of tobacco processing.
5. Installation and commissioning of new cigarette ripping machine to improve quality of process addback.

DIRECTORS' REPORT



GODFREY PHILLIPS
—INDIA LIMITED—

6. Installation and commissioning of tobacco cutter in the Pilot Plant to improve quality and consistency of samples processed.
7. Data Acquisition System (DAS) was developed and commissioned on the cigarette packing machines to improve analytical efficiency.

RESEARCH & DEVELOPMENT

New Product Development

1. Developed products for Chewing Tobacco and Bidi categories.
2. Developed various new blends and enhanced current blends thereby creating a library in order to cater to varied buyer base.
3. Analysed residual pesticides in tobacco grades and selected carbonyls in main stream tobacco smoke.

Benefits derived as a result of this Development

1. Created a range of products for consumers and thus creating potential to both top-line and bottom-line growth.
2. Increased the number of variants of blends and cigarettes available for both domestic and overseas markets.

Future Plan of Action

1. Intensify work on New Product Development for all product categories by extensive use of pilot plants.
2. Create product categories that will fetch both volume and value growth for the Company.
3. Continuously up-grade analytical facility and library to meet future challenges.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The earnings in foreign exchange during the year under report by way of exports and other income amounted to Rs. 317 crore (previous year Rs. 247 crore) as against the foreign exchange outgo on imports, dividends and other expenditure aggregating to Rs. 94 crore (previous year Rs. 129 crore).

DIRECTORS

In terms of section 262(2) of the Companies Act, 1956, the tenure of Mr. R Ramamurthy expires on the date of ensuing Annual General Meeting. The Company has received notice alongwith requisite deposit from a member under section 257 of the Companies Act, 1956 proposing his appointment as Director of the Company. Brief resume of Mr. R. Ramamurthy is provided in the Notice.

Mr. Anup N. Kothari and Mr. O. P. Vaish, Directors, will retire by rotation at the forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment. Brief resume of above Directors, as stipulated under clause 49 of the Listing Agreement, is annexed in the Corporate Governance Report.

The three years term of Mr. Lalit Kumar Modi and Mr. Samir Kumar Modi as Executive Directors shall expire on the date of ensuing Annual General Meeting. A resolution for their re-appointment for further period of three years is being put up for your consideration at the Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibilities Statement, the Directors confirm that :

- (i) In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed;
- (ii) appropriate accounting policies have been selected and applied consistently and judgements and estimates which are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Annual Accounts have been prepared on a going concern basis.

The above statements were noted by the Audit Committee at its meeting held on July 31, 2010.

CORPORATE GOVERNANCE

The Company is committed to maximise the value of its stakeholders by adopting the principles of good Corporate Governance in line with the provisions of law and in particular those stipulated in the Listing Agreement with the Stock Exchanges. Its objective and that of its management and employees is to manufacture and market the Company's products in a way so as to create value that can be sustained over the long term for consumers, shareholders, employees, business partners and the national economy in general.

A certificate from the auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement with the Stock Exchanges, is enclosed.

A certificate from Mr. K.K. Modi, Managing Director as the Chief Executive Officer (CEO) and Mr. R.N. Agarwal, as the Chief Financial Officer in relation to the financial statements for the year ended March 31, 2010 along with a declaration by the CEO regarding compliance with the code of business conduct of the Company by the directors and the members of the senior management team of the Company during that year were submitted to and taken note of by the Board.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard 21 - Consolidated Financial Statements, Group Accounts form part of this Report & Accounts. The Group Accounts have been prepared on the basis of audited financial statements received from the Subsidiary Companies and an Associate Company, as approved by their respective Boards.

AUDITORS

A.F. Ferguson & Co., Chartered Accountants, the retiring Auditors, have offered themselves for re-appointment as Auditors for the Head Office as well as branch offices at Ahmedabad, Mumbai, Kolkata, Ghaziabad, Guntur, Hyderabad, Chennai, New Delhi, Chandigarh and Baramati.

DIRECTORS' REPORT



GODFREY PHILLIPS
— INDIA LIMITED —

SUBSIDIARY COMPANIES

The Reports and Accounts of the subsidiary companies are annexed to this Report along with the statement pursuant to Section 212 of the Companies Act, 1956. However, in the context of mandatory requirement to present consolidated accounts, which provides members with a consolidated position of the Company including subsidiaries, at the first instance, members are being provided with the Report and Accounts of the Company treating these as abridged accounts as contemplated by Section 219 of the Companies Act, 1956. Members desirous of receiving the full Report and Accounts including the Report and Accounts of the subsidiaries will be provided the same on receipt of a written request from them.

GROUP

Pursuant to disclosure received from the Indian Promoter of the Company, the names of the promoters and entities comprising 'Modi group' for the purposes of 'group' as defined under the Monopolies and Restrictive Trade Practices ("MRTP") Act, 1969 are annexed to this Report for the purpose of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and otherwise.

EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary.

The relations with the employees of the Company continue to be cordial and the Directors wish to record their appreciation of their dedicated services at all levels of operations in the Company.

THE FUTURE

Your Company continues to remain focussed on tobacco products. All out efforts are being made for expanding geographical reach of Company's products in order to improve market share. Company's extensive sales and distribution network and marketing competencies are being leveraged for new product categories like bidis, pan masala and candies. Work is on for setting up a state-of-the-art cigarette manufacturing facility at Thane in Maharashtra. The robust and vast manufacturing and marketing base is expected to throw open enormous growth opportunities for the Company in times to come. Therefore, your Directors look forward to the future with confidence and optimism.

Respectfully submitted on behalf of the Board

New Delhi

Dated : July 31, 2010

R. A. SHAH
CHAIRMAN

MODI GROUP

Persons constituting 'Modi group' coming within the definition of 'group' as defined in the Monopolies and Restrictive Trade and Practices Act, 1969 for the purpose of Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and otherwise, include the following:

- Aar Shyam India Investment Company Limited
- Aarsree Agra Limited
- Amber Chemicals Private Limited
- Ananda Embroidery Industries Private Limited
- Ananda Advisory Services Private Limited
- Ananda Developers Private Limited
- Ananda Heritage Hotels Private Limited
- Anjney Investments & Trading Company Limited
- Assam Cigarette Company Private Limited
- Beacon Travels Private Limited
- Bina Fashions N Food Private Limited
- Bollywood Movies India Private Limited
- Buzz TV Private Limited
- Charu Investments Private Limited
- Cindrella Developments Private Limited
- Cindrella Holdings Private Limited
- Cindrella Resources Private Limited
- Colorbar Cosmetics Private Limited
- Criclive.com India Private Limited
- Divya Modi
- Doruka Designs Private Limited
- Europower Techno-Systems Private Limited
- F Scape Media Private Limited
- Gemini Tradelinks Limited
- Good Investment (India) Limited
- H.M.A. Investments Private Limited
- H.M.A. Udyog Private Limited
- Hindustan Leasing Company
- Home Communication Network Limited
- Indian Cricket League Limited
- Indo Euro Investment Company Private Limited
- Indofil Organic Industries Limited
- Integrated Technology Solutions Private Ltd
- International Research Park Laboratories Limited
- Juniorbuzz.com India Private Limited
- K.K.Modi & Bina Modi, Trustees - Indofil Junior Employees (Factory) Welfare Trust
- K.K.Modi & Bina Modi, Trustees - Indofil Junior Employees (Offices) Welfare Trust
- K.K.Modi & Bina Modi, Trustees - Indofil Senior Executives (Factory) Welfare Trust
- K.K.Modi, Trustee - Indofil Junior Employees (Factory) Benefit Trust & Bina Modi, Trustee
- K.K.Modi & Bina Modi, Trustees - Indofil Senior Executives (Offices) Welfare Trust
- K.K.Modi & Bina Modi, Trustees - Indofil Senior Executives (Factory) Benefit Trust
- K.K.Modi & Bina Modi, Trustees - Indofil Junior Employees (Offices) Benefit Trust
- K.K.Modi & Bina Modi, Trustees - Indofil Senior Executives (Offices) Benefit Trust
- K.K.Modi Family Trust
- K.K.Modi Investment & Financial Services Private Limited
- Kaushambi Industries Private Limited
- Krishan Kumar Modi
- Lalit Kumar Modi
- Longwell Investment Private Limited
- Marketing and Brand Solutions India Private Limited
- ME Fashion Mauritius Private Limited
- ME Fashions India Private Limited
- ME India Holding Private Limited
- MEN Interactive Network Limited
- Modern Homecare Products Limited
- Modi Apollo International Group Private Limited
- Modi ATI Education Private Limited
- Modi Brands Private Limited
- Modi Entertainers Networks Private Limited
- Modi Entertainment Cable Network Private Limited
- Modi Entertainment Limited
- Modi Entertainment Network Limited, BVI
- Modi Entertainment Network Mauritius Limited
- Modi Films Enterprises Private Limited
- Modi Healthcare Placement India Private Limited
- Modi New World India Private Limited
- Modi Reach Finance and Investment (India) Limited
- Modicare Limited
- Modicare Sales & Services Limited
- Motto Investment Private Limited
- MWC Market Services Private Limited
- N. K. Textile Industries Limited
- Neon Solutions Private Limited
- Oriental Leasing Company
- Premium Bidi Company Limited
(Formerly known as Modi Airways Limited)
- Penumbra Television Private Limited
- Premium Merchants Limited
- Premium Tradelinks Private Limited;
- Priyal Hitay Nidhi
- Quick Investment (India) Limited
- R. C. Tobacco Private Limited
- Rajputana Developers Limited
- Rajputana Fertilizers Limited
- Ramraj Enterprises Limited
- Real Time Tolling Solutions Private Limited
- Ritika N Rungta
- Samir Kumar Modi
- Sapphire Insurance Agencies Limited
- Serendipity Design Private Limited
- Serendipity Enterprises Private Limited
- Shashank Traders Limited
- Spice Mobiles Limited
- Subhsree Patrochem Industrial Investments Limited
- Success Principles Limited
- Super Investment (India) Limited
- Swasth Investment Private Limited
- Tobacco Holdings
- Touchwood Investment Private Limited
- Twenty Four Seven Retail Stores Private Limited
- Upasana Investment Private Limited
- Vinay Kumar Modi, Trustee - Modi Spinning & Weaving Mills Company Limited (Head Office) Employees Welfare Trust
- W.D. Consumer Products Private Limited
- Also, any other Subsidiaries and Affiliates of the above entities.

REPORT ON CORPORATE GOVERNANCE

for the year ended March 31, 2010



The Directors present the Company's Report on Corporate Governance

1. THE COMPANY'S GOVERNANCE PHILOSOPHY

GPI's Corporate Governance initiatives are devised for achieving basic objective of wealth creation for the benefit of all its stakeholders namely the shareholders, employees, business associates and the society at large. The Company believes in giving its executives ample freedom to operate and secure the Company's target by putting in best of their efforts.

The Board of Directors is primarily responsible for protecting and enhancing shareholders' value besides fulfilling the Company's obligations towards other stakeholders. The role of the Board of Directors is to provide strategic superintendence over the Company's management. The day to day management of the Company is vested in the managerial personnel and sufficient authority is delegated at different operating levels. Delegation of authority in the operating people helps generation of creativity and innovation. This also helps in harnessing potential of employees to the best advantage of the Company.

2. BOARD OF DIRECTORS

i) Composition

The Board of Directors of the Company consists of executive and non-executive directors and more than half of the Board comprises of non-executive directors. The non-executive directors are independent professionals drawn from amongst persons with experience in business /law/finance. At present the total strength of the Board of Directors is nine out of which five are non-executive Directors. The Chairman of the Board is a non-executive director and the minimum requirement of one-third of the Board consisting of independent directors is duly complied with. The non-executive directors of the Company have already submitted their declarations affirming their status as independent directors as on March 31, 2010.

ii) Attendance at the Board Meetings and the last Annual General Meeting, directorships and memberships/chairmanships of Board Committees of other Companies

Director	Category	No. of Board Meetings attended	Attendance at last AGM	Directorship/chairmanship of Board of other Companies* as at March 31, 2010	Membership/chairmanship of other Board Committees# as at March 31, 2010
Mr. R.A. Shah	Non-Executive & Independent	7	Yes	14 (includes 3 as Chairman and 1 as Vice- Chairman)	10 (includes 5 as Chairman)
Mr. K.K. Modi	Executive	7	Yes	12	2 (includes 1 as Chairman)
Mr. R. Ramamurthy	Executive	3	Yes	8	1
Mr. Lalit Bhasin	Non-Executive & Independent	7	Yes	10	6 (includes 1 as Chairman)
Mr. Anup N. Kothari	Non-Executive & Independent	7	Yes	2	None
Mr. Lalit Kumar Modi@	Executive	1	No	9	1 (as Chairman)
Mr. C.M. Maniar	Non-Executive & Independent	5	Yes	12	8 (includes 1 as Chairman)
Mr. O.P. Vaish	Non-Executive & Independent	6	Yes	4	3
Mr. Samir Kumar Modi@	Executive	5	Yes	9	1

* Excludes directorships in private limited companies, foreign companies, alternate directorships and also memberships of Managing Committees of various chambers/bodies.

Represents memberships/chairmanships of Audit Committee and Shareholders/Investors Grievances Committee (excluding private companies).

@ Sons of Mr. K. K. Modi



iii) Board Meetings held during the year

During the year 2009-10, seven Board Meetings were held on the following dates: April 25, 2009, May 24, 2009, June 30, 2009, July 30, 2009, September 25, 2009, October 31, 2009 and January 30, 2010.

In addition to the regular business items, other information as applicable pursuant to the requirements under the Listing Agreement with the Stock Exchanges were placed before the Board.

iv) The details of pecuniary relationship or transactions of the non-executive directors vis-a-vis the Company are given below:

S. No.	Name of the director	Amount involved (Rs. in lacs)	Nature of transaction
1	Mr. R.A. Shah & Mr. C.M. Maniar (Senior Partners of Crawford Bayley & Co.)	64.45	Payment for professional services to Crawford Bayley & Co.
2	Mr. Lalit Bhasin (Proprietor of Bhasin & Co.)	1.94	Payment for professional services to Bhasin & Co.
3	Mr. O.P. Vaish (Relatives of Mr. O.P. Vaish are partners in Vaish Associates)	11.08	Payment for professional services to Vaish Associates

v) Brief resume, experience and other directorships/board committee memberships

As per the Articles of Association of the Company, one-third of the total strength of the Board (i.e. three directors at present namely Mr. R. Ramamurthy, Mr. Anup Kothari & Mr. O. P. Vaish) shall retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible shall be re-appointed subject to shareholders' approval.

Name of the Director	Qualifications	Experience	Names of other companies in which he holds directorship of the Board and membership/ chairmanship of committees of the Board*
1. Mr. R. Ramamurthy	B.A., B.L. from Madras University	<ul style="list-style-type: none"> - He has over 30 years of rich experience in the legal field (including 25 years experience in the Industry) with expertise in Indirect tax matters. - (Mr. R. Ramamurthy was appointed as a Director to fill casual vacancy caused by resignation of Mr. S. V. Shanbhag. He holds office till the ensuing Annual General Meeting and is proposed to be appointed as a Director of the Company liable to retire by rotation.) 	<ol style="list-style-type: none"> 1. Manhattan Credits & Finance Limited 2. Rajputana Infrastructure Corporate Limited 3. Gemini Tradelinks Limited 4. Kashyap Metal & Allied Industries Limited 5. Premium Bidi Company Limited (Formerly known as Modi Airways Limited) 6. Modicare Limited 7. Ramraj Enterprises Limited 8. Shashank Traders Limited
2. Mr. Anup N. Kothari	B. Arch., F.I.I.A	<ul style="list-style-type: none"> - Graduated in Architecture from Baroda University in 1965. - Proceeded to Sweden where he worked on various types of projects which included Administration and Bank Building, Group Housing Projects, etc. - Returned to India and joined a leading firm of Architects and have since been closely associated with various projects specially Hospitals, Hotels, Housing Projects, Multiplex Cinema Halls, Universities, Embassies, etc. - He is a member of Council of Architecture and Indian Institute of Architects. - He has been practicing Architecture since last 44 years. 	<ol style="list-style-type: none"> 1. International Research Park Laboratories Limited 2. Samkap Chemicals Limited



Name of the Director	Qualifications	Experience	Names of other companies in which he holds directorship of the Board and membership/ chairmanship of committees of the Board*
3. Mr. O.P. Vaish	B.Com(H), M.A. (Eco.), LL.M.	<ul style="list-style-type: none"> - Served for 8 years in the Indian Revenue Service and for another 8 years as Chief (Taxation Division), FICCI. - Founded the Law firm Vaish Associates, proprietary firm and is now designated as Senior Advocate of the Supreme Court of India. (The Law firm was taken over by those who were part of the proprietary firm.) <ol style="list-style-type: none"> 1. Past President of PHD Chamber of Commerce. 2. Member, Board of Governors, International Centre for Alternate Disputes Resolution (ICADR). 3. Honorary President, International Fiscal Association - India. 4. Member, Advisory Board of American India Foundation. 5. Member, Board of Trustees, Centre for Civil Society. 6. Member, Board of Governors, International Management Institute (IMI) 7. Member, Advisory Board, Western International University, USA. 8. Past Director of Rotary International and past Trustee of Rotary Foundation. 9. Chairman, Rotary Foundation (India) 10. Chairman, Rotary Blood Bank, New Delhi 11. Member, FICCI Executive Committee. 12. Government Nominee to the Institute of Chartered Accountants of India 	<ol style="list-style-type: none"> 1. The India Thermit Corporation Limited 2. International Travel House Limited 3. PNB Finance & Industries Limited 4. Indo Rama Synthetics (India) Limited

* Excludes directorships in private limited companies, foreign companies, alternate directorships and also memberships of Managing Committees of various chambers/bodies. Represents memberships/chairmanships of Audit Committee and Shareholders/Investors Grievances Committee (excluding private companies).

(vi) Legal Compliances

Periodical status of various statutory compliances are put before audit committee and Board from time to time and no material instances of non-compliances were noticed during the financial year.

(vii) Code of Conduct

The Company has a Code of business conduct applicable to the Board members and senior management team of the Company. Such Code of conduct is posted on the website of the Company.

All the Board members and senior management team have affirmed compliance with the Code of conduct as above for the financial year ended 31st March, 2010. A declaration signed by Mr. K.K. Modi, President & Managing Director as the Chief Executive Officer of the Company is annexed to this report.

3. AUDIT COMMITTEE

i) Composition and terms of reference

The Board of Directors of the Company have constituted an Audit Committee comprising of three non-executive independent directors namely Mr. O. P. Vaish, Mr. Anup N. Kothari and Mr. Lalit Bhasin, in pursuance of the provisions of Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee cover all the areas specified in Section 292A of the Companies Act, 1956 as well as those specified in clause 49 of the Listing Agreement. In pursuance of SEBI's Circular No. SEBI/CFD/DIL/CG/1/2004/12/10 dated 29th October, 2004, the Board of Directors have revised the terms of reference of the committee so as to meet the requirements of the amended clause 49. Audit Committee of the Company consists of members who are financially literate and Mr. O.P. Vaish, Chairman of the Audit Committee possesses accounting and related financial management expertise by virtue of his long experience in the relevant areas. Mr. Sanjay Gupta, Company Secretary acts as the Secretary to the Committee.



The Chairman attended the Annual General Meeting held on 25th September, 2009 to answer the shareholders' queries.

The terms of reference of the Audit Committee are in accordance with clause 49 of the listing agreement entered into with the stock exchanges and provisions of Section 292A of the Companies Act, 1956 and inter-alia include overseeing financial reporting process, reviewing the financial statements before submission to the Board, reviewing internal control systems and internal audit functions, etc. The Audit Committee also reviews the information relating to management discussion and analysis of financial condition, significant related party transactions, letters of internal control weaknesses issued by the statutory auditors and internal audit reports.

Audit Committee meetings are also attended by Managing Director being director in charge of finance, Executive Vice-President-Finance (Chief Financial Officer), Company Secretary, the Internal Auditors and the Statutory Auditors as the invitees.

ii) Details of meetings and attendance of each member of the Committee

During the financial year 2009-10, the Audit Committee met four times on June 30, 2009, July 30, 2009, October 30, 2009 and January 28, 2010.

S.No.	Name	Category of directors	No. of Committee Meetings attended (Total Meetings held-4)
1.	Mr. O.P. Vaish	Non-Executive & Independent	4
2.	Mr. Lalit Bhasin	Non-Executive & Independent	4
3.	Mr. Anup N. Kothari	Non-Executive & Independent	4

4. SUBSIDIARY COMPANIES

- (i) Since the Company does not have any material non-listed Indian subsidiary company, the requirement for appointment of an independent director on the Board of such subsidiary is not applicable.
- (ii) The Audit Committee of the Company has reviewed the financial statements in respect of the investments made by its unlisted subsidiary companies at its meeting held on May 29, 2010.
- (iii) Copies of the minutes of the board meetings of all the unlisted subsidiary companies held during the year 2009-10 were placed at the board meeting of the Company held on May 29, 2010. Requirement relating to significant transactions and arrangements entered into between the Company and its unlisted subsidiary companies is not applicable to the Company since none of the subsidiaries is material.

5. DISCLOSURES

(A) Basis of related party transactions

(i) Transactions with related parties in the ordinary course of business:

Transactions with all the related parties referred to in note 11 of the Notes to the Accounts to the Financial Statements for the year ended March 31, 2010 are in the ordinary course of business. These transactions were placed at the Audit Committee meeting held on May 29, 2010.

(ii) Transactions with related parties not in the normal course of business:

There are no such transactions entered into by the Company with the related parties during the financial year ended March 31, 2010 whose terms and conditions are not in the normal course of business.

(iii) Transactions with related parties not on arm's length basis:

There are no such transactions entered into by the Company with the related parties during the financial year ended March 31, 2010.

(B) Disclosure of Accounting Treatment

The financial statements for the year ended March 31, 2010 comply with the Accounting Standards notified by the Companies (Accounting Standard) Rules, 2006.



(C) Board Disclosures – Risk management

The Company being an old established organization, has in place built-in internal control systems for assessing and mitigating elements of risks in relation to its operations. The departmental heads are reasonably alive of this aspect in their day to day functioning. However, with a view to apprise the Board of Directors of the risk management procedures and the steps to minimize/eliminate the same in a structured manner, the Company has formulated a Risk Profile and Risk Register, listing out various risks and mitigating factors, which was placed before the Board from time to time.

(D) Proceeds from public issues, right issues, preferential issues, etc.

The Company did not raise any funds through public issues, right issues, preferential issues, etc. during the year.

6. REMUNERATION TO DIRECTORS

(i) Remuneration policy

The Company has not constituted any Remuneration Committee. The remuneration to be paid to the Managing/ Executive/Whole-time Directors is decided by the Board and recommended for approval by the shareholders at the Annual General Meeting. The Non-Executive Directors do not draw any remuneration from the Company other than the payment of sitting fee of Rs. 20,000/- for each meeting of the Board and the Board Committee attended by them. As per provisions of the Articles of Association of the Company, the overall payment of sitting fees to a director for attending the Board and Committee meetings shall not exceed Rs.3 lacs in a financial year.

ii) Details of remuneration to the directors

(Amount in Rs.)

Name of the Director	Salary and Other Allowances*	Perquisites	Commission	Sitting Fees Board/ Committee Meetings	Total
Mr. R.A. Shah	Nil	Nil	Nil	140,000	140,000
Mr. K.K. Modi ¹	10,895,161	39,600	8,526,879	Nil	19,461,640
Mr. S. V. Shanbhag ²	212,000	41,418	Nil	Nil	253,418
Mr. R. Ramamurthy ³	4,548,387	25,106	Nil	Nil	4,573,493
Mr. Lalit Bhasin	Nil	Nil	Nil	240,000	240,000
Mr. Anup N. Kothari	Nil	Nil	Nil	220,000	220,000
Mr. Lalit Kumar Modi ⁴	1,500,000	2,018,831	1,500,000	Nil	5,018,831
Mr. C.M. Maniar	Nil	Nil	Nil	160,000	160,000
Mr. O.P. Vaish	Nil	Nil	Nil	200,000	200,000
Mr. Samir Kumar Modi ⁵	1,500,000	2,196,683	1,500,000	Nil	5,196,683
Total	18,655,548	4,321,638	11,526,879	960,000	35,463,615

* excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.

iii) Details of service contract, notice period, severance fees etc. of directors

¹The Company has service contract with Mr. K.K. Modi, President & Managing Director for a period of three years with effect from August 14, 2009. The notice period is six calendar months by either party. No severance fees is payable to him. Besides fixed salary, Mr. K. K. Modi is also entitled to payment of performance linked incentive in the form of commission @ 2% of the net profits of the Company computed in the manner laid down under Sections 349, 350 and 351 of the Companies Act, 1956, subject to a ceiling of Rs. 100 lacs per annum.

²The Company had service contract with Mr. S.V. Shanbhag, Whole-time Director for a period of three years with effect from October 1, 2007. He resigned from the directorship of the Company w.e.f. 31st July, 2009 and consequently, he also ceased to be Whole-time Director.



³The Company has service contract with Mr. R. Ramamurthy, Whole-time Director for a period of three years with effect from 14th August, 2009. The notice period is three months by either party. However, the Company has the right to terminate appointment forthwith upon payment of three months salary only in lieu of notice and in that case he will not be entitled to any perquisites or other benefits in respect of such three months period.

⁴The Company has service contract with Mr. Lalit Kumar Modi, Executive Director for the period from August 30, 2007 till the date of the Annual General Meeting to be held for the approval of the audited accounts for the financial year ending March 31, 2010. His present tenure would be expiring on the date of ensuing Annual General Meeting. His re-appointment has to be approved by the shareholders at the Annual General Meeting. The notice period is six calendar months by either party. No severance fees is payable to him. Besides salary, allowances and perquisites, Mr. Lalit Kumar Modi was also entitled to payment of commission of Rs. 15,00,000/- per annum subject to a ceiling of 1% of the net profits of the Company computed in the manner laid down under Sections 349, 350 and 351 and the aggregate amount of salary, commission together with the monetary value of perquisites computed in the manner provided under the Income-tax Act, 1961 or Rules made thereunder not to exceed Rs. 50 lacs per annum without the approval of shareholders in the General Meeting.

⁵The Company has service contract with Mr. Samir Kumar Modi, Executive Director for the period from August 30, 2007 till the date of the Annual General Meeting to be held for the approval of the audited accounts for the financial year ending March 31, 2010. His present tenure would be expiring on the date of ensuing Annual General Meeting. His re-appointment has to be approved by the shareholders at the Annual General Meeting. The notice period is six calendar months by either party. No severance fees is payable to him. Besides salary, allowances and perquisites, Mr. Samir Kumar Modi was also entitled to payment of commission of Rs. 15,00,000/- per annum subject to a ceiling of 1% of the net profits of the Company computed in the manner laid down under Sections 349, 350 and 351 and the aggregate amount of salary, commission together with the monetary value of perquisites computed in the manner provided under the Income-tax Act, 1961 or Rules made thereunder not to exceed Rs. 50 lacs per annum without the approval of shareholders in the General Meeting.

The Company presently does not have any stock option scheme.

(iv) Details of shares/convertible instruments held in the Company by Non-Executive Directors.

S. No.	Name of the non-executive directors	No. of shares held as on March 31, 2010
1.	Mr. R. A. Shah (shares held jointly with Mrs. A. R. Shah - wife)	4000
2.	Mr. Lalit Bhasin	400
3.	Mr. Anup N Kothari	1200
4.	Mr. C.M. Maniar (shares held jointly with Mrs. K.C. Maniar - wife)	688
5.	Mr. O.P. Vaish	400

7. MANAGEMENT

As required under Clause 49 of the Listing Agreement, all the members of senior management team shall disclose their interest in all material, financial and commercial transactions, which may have a potential conflict with the interest of the Company at large.

The Management Team comprising of 11 members, being the top executives of the Company have disclosed to the Board of Directors of the Company about all the material financial and commercial transactions that have taken place during the financial year ended March 31, 2010 where they had personal interest. These include dealing in/holding of shares by them/their relatives in the Company, transactions entered into by them/their relatives with the Company, transactions entered into by the Company with the companies in which they/their relatives are Directors or Members and transactions entered into by them/their relatives with the subsidiary companies of the Company and these were placed before the Board of Directors of the Company.



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8. SHARE TRANSFER AND SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Company has a Share Transfer and Shareholders/Investors Grievance Committee which comprises of Mr. C.M. Maniar, a Non-Executive Director as its Chairman, Mr. K.K. Modi, President & Managing Director, Mr. R. Ramamurthy, Whole-time Director and Mr. Lalit Bhasin, Non-Executive Director as its members. This Committee besides sanctioning share transfers/transmissions and other related matters, is also required to look into the redressal of shareholders' and other investors' complaints regarding transfer of shares, non-receipt of balance sheets and dividends, etc. Mr. Sanjay Gupta, Company Secretary has been acting as the Compliance Officer.

During the financial year 2009-10, 80 complaints were received from the shareholders/investors and same were solved to their satisfaction. There were neither any complaints nor any cases of share transfers pending as on March 31, 2010.

9. GENERAL BODY MEETINGS

Details of the last three Annual General Meetings (AGM) are as follows:

Financial year	Date of AGM	Time	Location
2006-07	August 30, 2007	3:30 P. M.	Kishinchand Chellaram College, Dinshaw Wacha Road, Churchgate, Mumbai – 400020
2007-08	August 28, 2008	3.30 P. M.	Y.B. Chavan Auditorium, General Jagannath Bhosle Marg (Next to Sachivalaya Gymkhana), Mumbai – 400 021
2008-09	September 25, 2009	3.30 P. M.	Y.B. Chavan Auditorium, General Jagannath Bhosle Marg (Next to Sachivalaya Gymkhana), Mumbai – 400 021

There was no other General Body Meeting during the last three years.

No special resolution was put through postal ballot during the year ended March 31, 2010 and no special resolution is proposed to be conducted through postal ballot at the ensuing Annual General Meeting.

During the last three years following special resolutions were passed:

S. NO.	ANNUAL GENERAL MEETING AT WHICH SPECIAL RESOLUTION WAS PASSED	PARTICULARS OF THE RESOLUTION
1.	Seventieth AGM	<ul style="list-style-type: none"> Re-appointment of Mr. S.V. Shanbhag as Whole-time Director and increase in his remuneration
2.	Seventy First AGM	<ul style="list-style-type: none"> No Special Resolution was passed
3.	Seventy Second AGM	<ul style="list-style-type: none"> Approving the change in the place of keeping the Registers and Records of the Company pursuant to Section 163 of the Companies Act, 1956. Alteration of Articles of Association by way of insertion of Article 88A, Article 102B, Article 105A and Article 149A.

10. DISCLOSURES

- i) Related parties and transactions with them as required under Accounting Standard 18 (AS-18) are stated in note 11 of the Notes to the Accounts attached with the financial statements for the year ended March 31, 2010.

The said transactions have no potential conflict with the interest of the Company at large.

- ii) There is no non-compliance of any legal provision of applicable laws and no penalties or strictures have been imposed by the stock exchanges, SEBI or any other statutory authority on any matter related to capital markets during the last three years.



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- iii) The Company does not have any Whistle Blower Policy.
- iv) The Company has complied with all applicable mandatory requirements of clause 49 of the Listing Agreement during the year. The Company has not adopted any non-mandatory requirements.

11. MEANS OF COMMUNICATION

The quarterly, half yearly and annual results are published by the Company in Economic Times (English) and in Maharashtra Times (Marathi). The quarterly and yearly results are also available on the Company's website : www.godfreyphillips.com as well as on Bombay Stock Exchange and National Stock Exchange websites: www.bseindia.com & www.nseindia.com. The half-yearly reports are not sent to household of the shareholders. During the year, there were no official news releases and no formal presentations were made to the institutional investors/analysts.

The Management Discussion and Analysis Report forms a part of the Directors' Report.

12. GENERAL SHAREHOLDER INFORMATION

(i) Annual General Meeting

Date and Time : September 9, 2010 at 3.30 p.m.
Venue : Y.B. Chavan Auditorium, General Jagannath Bhosle Marg
(Next to Sachivalaya Gymkhana), Mumbai – 400 021

(ii) Financial Calendar for 2010-11

First Quarter Results : 31st July, 2010
Second Quarter Results : Latest by 14th November, 2010
Third Quarter Results : Latest by 14th February, 2011
Annual Results : Latest by 29th May, 2011

(iii) **Date of Book Closure** : September 4, 2010 to September 9, 2010
(both days inclusive)

(iv) **Dividend Payment Date** : Dividend payments shall be made on or after September 14, 2010 to those shareholders whose names shall appear on the Members' Register as on September 9, 2010.

(v) Listing on the Stock Exchanges:

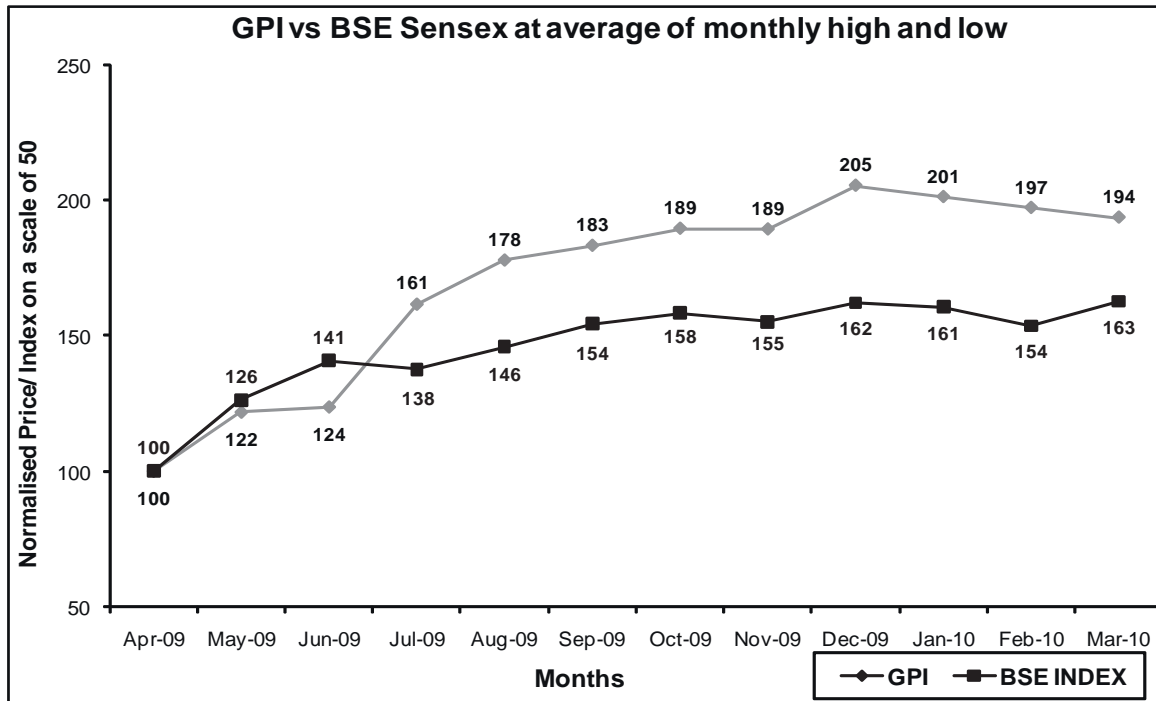
The Company's shares are listed on National Stock Exchange (Stock Code GODFRYPHLP), Bombay Stock Exchange (Stock Code 500163). The Company's application for delisting of its equity shares from Calcutta Stock Exchange was pending for their consideration for quite long for want of various informations which were furnished from time to time. The Calcutta Stock Exchange Limited, vide their letter dated 3rd March, 2010 granted the voluntary delisting of the listed securities of the company under SEBI (Delisting of Securities) Guidelines, 2003.

vi) Market Price Data of equity shares of the Company

High, Low during each month in the financial year 2009-10, on The Bombay Stock Exchange

Month	High (Rs.)	Low (Rs.)
April 2009	1155.00	722.00
May 2009	1394.00	890.05
June 2009	1310.00	1010.05
July 2009	1830.00	1200.05
August 2009	1800.00	1535.20
September 2009	1887.00	1550.00
October 2009	1870.00	1685.05
November 2009	1900.00	1650.00
December 2009	2150.00	1702.00
January 2010	2019.00	1755.00
February 2010	1998.85	1700.00
March 2010	1980.00	1652.00

(vii) Performance in comparison to BSE Sensex



(viii) Registrars and Share Transfer Agent

Sharepro Services (India) Pvt. Ltd.
13 AB, Samhita Warehousing Complex,
Second Floor, Sakinaka Telephone Exchange Lane
Off Andheri Kurla Road, Sakinaka,
Andheri (East), Mumbai-400072
Telephone No : 022-67720300, 67720400
Fax No : 022-28591568 / 28508927
E-mail : sharepro@shareproservices.com

(ix) Share Transfer System

The Company's share transfer and related operations are handled by Sharepro Services (India) Pvt. Ltd., Registrars and Share Transfer Agent (RTA) who are registered with the SEBI as a Category 1 Registrar.

The shares for transfers received in physical mode by the Company/RTA, are transferred expeditiously provided the documents are complete and the shares are not under dispute. The share certificates duly endorsed are returned immediately to those who do not opt for simultaneous transfer cum dematerialisation. Confirmation in respect of the request for dematerialisation of shares is sent to the respective depositories NSDL/CDSL within 21 days.

(x) Distribution of shareholding as on March 31, 2010

Number of equity share holdings	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
1-50	5422	47.062	97919	0.942
51-100	2254	19.564	202912	1.951
101-500	3404	29.546	731966	7.039
501-1000	249	2.161	178164	1.713
1001-5000	141	1.224	288924	2.779
5001-10000	8	0.069	59517	0.572
10001 & Above	43	0.374	8839382	85.004
TOTAL	11521	100.000	10398784	100.000

(xi) Categories of Shareholding as on March 31, 2010

Category of Shareholder	Number of Shares	Percentage of Shares
A. Promoter and Promoter Group	7,387,937	71.05
B. Public Shareholding		
Foreign Institutional Investors	1,168,524	11.24
Mutual funds/UTI	125	0.00
Financial Institutions/Banks	9,223	0.09
Central Government/State Government(s)	6,000	0.06
Bodies Corporate	151,716	1.46
Individuals	1,649,892	15.86
Directors & Relatives	6,688	0.06
NRIs and OCBs	18,679	0.18
Total Public Shareholding	3,010,847	28.95
Total Shareholding (A+B)	1,03,98,784	100.00

(xii) Dematerialisation of shares

The shares of the Company are compulsorily traded in the dematerialised form and are available for trading under both the Depository Systems- NSDL (National Securities Depository Ltd.) and CDSL (Central Depository Services (India) Ltd). As on March 31, 2010, a total of 46,51,342 equity shares of the Company, which forms 44.73% of the share capital, stand dematerialised.

Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's equity shares is INE260B01010.

(xiii) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments

The Company has no outstanding GDRs/ADRs/Warrants or any convertible instruments.

(xiv) Plant Locations

The Company's plants are situated at Andheri (Mumbai) and Baramati and the plant located at Guldhar (Ghaziabad) is owned by the Company's wholly owned subsidiary, International Tobacco Company Limited.

Andheri Plant	: V.K.K. Menon Road (Sahar Road), Chakala, Andheri (East), Mumbai-400099
Baramati Plant (Chewing Products)	: Plot No. A-1/1, MIDC Industrial Area, Baramati, Maharashtra - 413133.
Guldhar Plant	: International Tobacco Company Ltd. Delhi- Meerut Road, Guldhar, Ghaziabad -201001

Address for Correspondence

Shareholders should address all their correspondence concerning shares to the Company's Registrars and Share Transfer Agent, Sharepro Services (India) Pvt. Ltd. at the address mentioned at S. No. 12(viii) above or at:

Sharepro Services (India) Pvt. Ltd., 912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai- 400021

Tel No : 022-66134700, 22825163 Fax No : 022-22825484 E-mail : sharepro@shareproservices.com

13. CEO/CFO CERTIFICATION

A certificate signed by Mr. K.K. Modi, President & Managing Director as CEO and by Mr. R.N. Agarwal, Executive Vice President – Finance as the CFO is attached with this report.

14. COMPLIANCE REPORT ON CORPORATE GOVERNANCE

The Company is regularly filing the Quarterly Compliance Report on Corporate Governance with the Stock Exchanges as per the format specified in Annexure 1B to the Clause 49 of the Listing Agreement.

For and on behalf of the Board

Place : New Delhi
Date : July 31, 2010

R.A. SHAH
Chairman

**CHIEF EXECUTIVE OFFICER (CEO) CERTIFICATION ON COMPANY'S CODE OF CONDUCT**

**The Board of Directors
Godfrey Phillips India Limited
Bhilwara Bhawan
40-41, Community Centre
Friends Colony
New Delhi - 110 025**

I, K.K. Modi, Managing Director being the Chief Executive Officer (CEO) of Godfrey Phillips India Limited do hereby declare that all the members of the Board of Directors and the members of the Senior Management Team of the Company have affirmed compliance with the Code of business conduct of the Company during the financial year ended 31st March, 2010.

Place : New Delhi
Date : 29th May, 2010

K.K. MODI
Managing Director
(Chief Executive Officer)

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER CERTIFICATION

**The Board of Directors
Godfrey Phillips India Limited
Bhilwara Bhawan
40-41, Community Centre
Friends Colony
New Delhi - 110025**

We, K.K. Modi, Managing Director being the Chief Executive Officer and R. N. Agarwal, Chief Financial Officer of Godfrey Phillips India Limited to the best of our knowledge and belief certify in relation to the financial statements for the year ended March 31, 2010 that:

- a. We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief :
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Also, during the year we have not come across any instances of deficiencies in the design or operation of such internal controls requiring disclosure to the auditors and the Audit Committee.
- d. There were no significant changes in internal control over financial reporting and in accounting policies during the year requiring disclosure to the auditors and the Audit Committee. Also, we have not come across any instances of fraud during the year requiring disclosure to the auditors and the Audit Committee.

K.K. MODI
Managing Director
(Chief Executive Officer)

R. N. AGARWAL
(Chief Financial Officer)

Place: New Delhi
Date : 29th May, 2010



GODFREY PHILLIPS
—INDIA LIMITED—

CERTIFICATE

To the Members of Godfrey Phillips India Limited

We have examined the compliance of conditions of Corporate Governance by Godfrey Phillips India Limited for the year ended March 31, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For A.F. Ferguson & Co.
Chartered Accountants
Registration No. 112066W

Place : New Delhi
Date : July 31, 2010

Manjula Banerji
Partner
Membership No. 086423

AUDITORS' REPORT

To the Members of Godfrey Phillips India Limited



GODFREY PHILLIPS
—INDIA LIMITED—

1. We have audited the attached Balance Sheet of **GODFREY PHILLIPS INDIA LIMITED** ("the Company") as at March 31, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For A. F. FERGUSON & CO.
Chartered Accountants
(Registration No. 112066W)

Manjula Banerji
Partner
(Membership No. 086423)

Place: New Delhi
Date : May 29, 2010

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report even date)

Having regard to the nature of the Company's business/activities/result, clauses 4 (x) and (xiii) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the Order) are not applicable.

(i) In respect of its fixed assets:

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) As explained to us, the Company has a system of physical verification of fixed assets which is designed to cover all fixed assets once in a period of three years and in accordance therewith, the fixed assets have been physically verified during the current year. According to the information and explanations given to us, no material discrepancies were noticed on such verification. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and the nature of its fixed assets.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(ii) In respect of its inventory:

- (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification and have been properly dealt with in the books of account.

(iii) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956 ("the Act"), according to the information and explanations given to us:

- (a) The Company has, during the year, not granted any loan, secured or unsecured, to companies, firms and other parties covered in the register maintained under Section 301 of the Act. In the previous years, the Company had granted unsecured loan repayable on demand aggregating to Rs. 1853.50 lacs to a company. During the year, the said company has got covered under the provisions of Section 301 of the Companies Act. The maximum amount due during the year in respect of the said loan was Rs. 1853.50 lacs and the year-end balance is Rs. 1853.50 lacs.
- (b) The rate of interest, where applicable and other terms and conditions of such loan are, in our opinion, prima-facie, not prejudicial to the interest of the Company.
- (c) The party to whom such loan was granted has been regular in the payment of interest. The principal amount of loan granted has not been recalled by the Company during the year.



(d) There are no overdue amounts in respect of loan granted and interest thereon.

According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods. There are no sale of services during the year. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
 - (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
 - (b) Where each of such transaction is in excess of Rs. 5 lacs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time except in respect of certain purchases for which comparable quotations are not available and in respect of which we are unable to comment.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 58A & 58AA or any other relevant provisions of the Companies Act, 1956.
- (vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (viii) We are informed that the maintenance of cost records has not been prescribed by the Central Government under section 209(1) (d) of the Companies Act, 1956 in respect of the Company's products.
- (ix) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has been regular in depositing undisputed dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities and has generally been regular in respect of dues of tax deducted at source, service tax, entry tax and value added tax. We are informed that there are no undisputed statutory dues as at the year-end outstanding for a period of more than six months from the date they became payable.
 - (b) There are no dues of Wealth Tax, Service Tax, Customs Duty and Cess matters which have not been deposited on account of any dispute. The details of dues of Sales Tax, Exercise Duty and Income-Tax as at March 31, 2010, which have not been deposited by the Company on account of disputes are as follows:

Name of the statute	Nature of the dues	Amount of dues* (Rs. lacs)	Amount deposited (Rs. lacs)	Period to which the amount relates	Forum where dispute is pending
Sales Tax Laws	Sales tax	3.31	2.73	1995-96, 2001-02, 2004-05	Sales Tax Tribunal
		31.54	17.30	1998-99 to 1999-00, 2005-06 to 2006-07, 2008-09 to 2009-10	Upto Commissioners' Level
		16.88	11.88	2006-07, 2007-08	High Court
Central Excise Law	Excise duty	29.37	—	2000-01 to 2006-07	Upto Commissioners' Level
		3.68	—	2004-05	Customs Excise Service Tax Appellate Tribunal
Income Tax Law	Income tax	244.00	244.00	1980 to 1983, 1995-96 to 1997-98	High Court
		273.25	273.25	2000-01, 2002-03 to 2004-05	Income Tax Appellate Tribunal
		410.50	366.87	1999-00, 2001-02, 2004-05 to 2007-08	Upto Commissioners' Level

*amount as per demand orders, including interest and penalty, where quantified in the Order.

Further, as per information available with the Company, the concerned authority is in appeal against favourable orders received by the Company in respect of the following matters:-

Name of the statute	Nature of the dues	Amount (Rs. lacs)	Period to which the amount relates	Forum where department has preferred appeal
Income Tax Law	Income tax	313.49	1969, 1974 to 1977, 1991-92 to 1994-95, 2001-02	High Court
		161.73	2002-03 to 2004-05	Income Tax Appellate Tribunal
		6.07	2000-01	Upto Commissioners' Level
Central Excise Law	Excise duty	1.89	2004-05	Customs Excise Service Tax Appellate Tribunal
U.P. Krishi Utpadan Mandi Adhiniyam	Mandi cess	108.20	1997-98 to 1998-99	Supreme Court



GODFREY PHILLIPS
—INDIA LIMITED—

- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- (xi) In our opinion and according to the explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities during the year.
- (xii) As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4(xiv) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions during the year.
- (xiv) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xv) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used for long-term investment.
- (xvi) The Company has not made any preferential allotment of shares during the year.
- (xvii) The Company has not issued any debentures during the year.
- (xviii) The Company has not raised money by way of public issue, during the year.
- (xix) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For A. F. FERGUSON & CO.
Chartered Accountants
(Registration No. 112066W)

Manjula Banerji
Partner
(Membership No. 086423)

Place: New Delhi
Date : May 29, 2010

BALANCE SHEET

as at March 31, 2010

Rupees in lacs

	Schedule Number		As at 31.3.2010		As at 31.3.2009
SOURCES OF FUNDS					
Shareholders' funds					
Share capital	1	1039.88		1039.88	
Reserves and surplus	2	65611.86	66651.74	56804.87	57844.75
Loan funds	3				
Secured			11455.43		9528.71
Deferred tax liabilities (net)	12		97.17		-
TOTAL			78204.34		67373.46
APPLICATION OF FUNDS					
Fixed assets	4				
Gross block		42742.17		35220.88	
Less: Depreciation and amortization		18143.03		15411.20	
Net block		24599.14		19809.68	
Capital work-in-progress and advances on capital account		7296.99	31896.13	6169.91	25979.59
Investments	5		19485.57		20985.70
Deferred tax assets (net)	12		-		235.87
Current assets, loans and advances					
Inventories	6	36014.58		36447.45	
Sundry debtors	7	4929.03		3035.32	
Cash and bank balances	8	3409.96		1760.49	
Loans and advances	9	10041.44		9347.36	
		54395.01		50590.62	
Less:					
Current liabilities and provisions					
Current liabilities	10	20823.19		23680.14	
Provisions	11	6749.18		6738.18	
		27572.37		30418.32	
Net current assets			26822.64		20172.30
TOTAL			78204.34		67373.46
Notes to the accounts	16				

In terms of our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

For and on behalf of the Board of Directors

Manjula Banerji
Partner

S. SERU
Chief Executive

SAMIR KUMAR MODI
Executive Director

R.A. SHAH
Chairman

K.K. MODI
President

R. RAMAMURTHY
Whole-time Director

C.M. MANIAR
LALIT BHASIN
O.P. VAISH
ANUP N. KOTHARI

Directors

New Delhi : May 29, 2010

R.N. AGARWAL
Chief Financial Officer

SANJAY GUPTA
Company Secretary

PROFIT AND LOSS ACCOUNT

for the year ended March 31, 2010



Rupees in lacs

	Schedule Number	For the year ended 31.3.2010	For the year ended 31.3.2009
INCOME			
Gross sales		260766.27	226905.15
Less : Excise duty		122378.91	113695.63
Net sales		138387.36	113209.52
Other income	13	6526.02	5540.23
		144913.38	118749.75
EXPENSES			
Raw and packing materials, manufactured and other goods	14	69135.56	49143.03
Manufacturing and other expenses	15	56640.22	48272.59
Depreciation and amortization	4	3390.97	2802.63
Increase/(decrease) in excise duty on finished goods		(992.94)	1940.86
		128173.81	102159.11
Profit before taxation		16739.57	16590.64
Provision for taxation - current tax		4552.96	5333.00
- deferred tax charge/(credit)		333.04	(400.95)
- fringe benefit tax		15.10	768.23
Profit after taxation		11838.47	10890.36
Balance brought forward from previous year		40307.99	33959.15
Available for appropriation		52146.46	44849.51
APPROPRIATIONS			
Proposed dividend		2599.70	2599.70
Corporate dividend tax		431.78	441.82
Transferred to general reserve		1500.00	1500.00
Surplus carried to balance sheet		47614.98	40307.99
		52146.46	44849.51
Basic and diluted earnings per share (Face value of share - Rs.10 each)		Rs. 113.84	Rs. 104.73
Notes to the accounts	16		

In terms of our report attached
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New Delhi : May 29, 2010

R.N. AGARWAL
Chief Financial Officer

SANJAY GUPTA
Company Secretary

CASH FLOW STATEMENT

for the year ended March 31, 2010

Rupees in lacs

		For the year ended 31.3.2010		For the year ended 31.3.2009
A. CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit before tax		16739.57		16590.64
Adjustments for:				
Depreciation and amortization		3390.97		2802.63
Interest income from:				
Subsidiary companies		(387.13)		(324.14)
Debts, deposits, loans, etc.		(252.52)		(196.85)
Dividends from other long term investments		(161.90)		(194.64)
Interest income from other long term investments		-		(4.32)
Profit on redemption/sale of other long term investments		(2230.04)		(2653.41)
Profit on sale of other current investments		(214.84)		(172.25)
Exchange Loss / (gain)		11.01		(0.16)
Exchange (gain) / Loss on foreign currency borrowings		(1119.25)		1594.06
Provision for wealth-tax		17.00		24.00
Interest expense - fixed loans		633.64		434.49
- others		56.33		151.69
Provision for decline in value of Investments (written back) / made		(166.00)		330.00
Fixed assets written off		124.04		153.47
Loss on sale of fixed assets		100.87		44.41
		<u>(197.82)</u>		<u>1988.98</u>
Operating profit before working capital changes		16541.75		18579.62
Adjustments for:				
Trade and other receivables		(3062.92)		(2048.08)
Inventories		432.87		(12641.38)
Trade and other payables		(2905.72)		7329.26
		<u>(5535.77)</u>		<u>(7360.20)</u>
Cash generated from operations		11005.98		11219.42
Interest received		532.43		384.53
Direct taxes paid		(4160.46)		(6467.51)
		<u>(3628.03)</u>		<u>(6082.98)</u>
Net cash from operating activities		7377.95		5136.44
B. CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of fixed assets		(9675.09)		(13701.52)
Proceeds from sale of fixed assets		142.67		58.48
Purchase of investments	(188769.57)		(135027.03)	
Proceeds from sale of investments	192880.58	4111.01	149494.47	14467.44
Dividends from long term other investments		161.90		197.90
Interest received from other long term investments		-		12.96
Loans and deposits received back		50.00		655.00
Interest received		86.16		136.01
Net cash used in investing activities		(5123.35)		1826.27
C. CASH FLOWS FROM FINANCING ACTIVITIES				
Term loan availed		5469.60		-
Repayment of long term borrowings		(2068.12)		(1064.61)
Repayment of working capital borrowings		(355.51)		(1338.82)
Interest paid		(605.24)		(576.56)
Dividend paid		(2593.03)		(2596.44)
Corporate dividend tax paid		(441.82)		(441.82)
Net cash used in financing activities		(594.12)		(6018.25)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		1660.48		944.46
Opening cash and cash equivalents				
- Cash and bank balances*		1760.49		815.87
Closing cash and cash equivalents				
- Cash and bank balances*		3409.96		1760.49
- Effect of exchange rate changes on exchange earner foreign currency bank balance		11.01		(0.16)
		<u>3420.97</u>		<u>1760.33</u>

*includes bank fixed deposits lodged as security with Government Authorities and margin money deposits with banks aggregating to Rs. 990.01 lacs as at March 31, 2010 (as at March 31, 2009 Rs. 458.94 lacs and as at March 31, 2008 Rs. 107.63 lacs)

In terms of our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

For and on behalf of the Board of Directors

Manjula Banerji
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Directors

New Delhi : May 29, 2010

R.N. AGARWAL
Chief Financial Officer

SANJAY GUPTA
Company Secretary

SCHEDULES 1 to 16 annexed to and forming part
of the accounts for the year ended March 31, 2010

Rupees in lacs

	As at 31.3.2010	As at 31.3.2009
SCHEDULE 1 - Share capital		
AUTHORISED		
60,000 Preference shares of Rs. 100 each	60.00	60.00
2,44,00,000 Equity shares of Rs. 10 each	2440.00	2440.00
	2500.00	2500.00
ISSUED, SUBSCRIBED AND PAID UP		
1,03,98,784 Equity shares of Rs.10 each fully paid up	1039.88	1039.88

Of the above equity shares

- (i) 86,82,578 shares were allotted as fully paid up as bonus shares by capitalisation of general reserves Rs.311.57 lacs, share premium account Rs. 36.75 lacs and profits Rs.519.94 lacs.
- (ii) 83,490 shares were allotted as fully paid up to the shareholders of D. Macropolo & Company Limited on amalgamation.

SCHEDULE 2 - Reserves and surplus

REVALUATION RESERVE Per last balance sheet		236.16		236.16
CAPITAL REDEMPTION RESERVE Per last balance sheet		30.00		30.00
GENERAL RESERVE Per last balance sheet	16230.72		14730.72	
Add: Amount transferred from profit and loss account	1500.00	17730.72	1500.00	16230.72
PROFIT AND LOSS ACCOUNT		47614.98		40307.99
		65611.86		56804.87

SCHEDULE 3 - Loan funds

SECURED		
From banks:		
- Term loans secured by way of an exclusive charge over specific plant and machinery (payable within 12 months Rs.1801.71 lacs; previous year Rs. 2702.59 lacs)	9233.85	6951.63
- Cash credit and working capital demand loan secured against hypothecation of stocks and book debts and second charge on certain immovable properties of the Company	2221.58	2577.08
	11455.43	9528.71

SCHEDULE 4 - Fixed assets

	GROSS BLOCK (AT COST)			DEPRECIATION/AMORTIZATION			NET BLOCK	
	As at	Additions/ Adjustments	Deductions	As at	For the	On	As at	As at
	31.3.2009			31.3.2010	year	deductions	31.3.2010	31.3.2009
								Rupees in lacs
Goodwill	1.20	-	-	1.20	1.20	-	1.20	1.20
Patents and trade marks	0.51	-	-	0.51	0.51	-	0.51	0.51
Land (leasehold)	437.46 #	-	-	437.46 #	-	-	437.46	437.46
Land (freehold)	377.93	-	-	377.93	-	-	377.93	377.93
Buildings	1562.02 *	53.79	2.93	1612.88 *	29.02	0.10	312.98	1277.96
Leasehold Building improvements	-	564.27	-	564.27	18.84	-	18.84	-
Plant and machinery	27438.19	6661.04	275.95	33823.28	2797.41	238.54	15470.69	14526.37
Electrical installation								
and equipments	225.11	11.51	8.40	228.22	3.33	6.41	74.81	147.22
Computers and Information								
technology equipments	1169.64	156.42	109.33	1216.73	151.30	92.61	741.38	486.95
Data processing equipment								
Computer software	411.89	-	-	411.89	66.77	-	133.54	345.12
Furniture, fixtures and								
office equipments	1574.00	201.12	236.33	1538.79	82.43	124.64	641.85	889.94
Motor vehicles	2022.93	899.86	393.78	2529.01	240.16	196.84	747.23	1319.02
Total	35220.88	8548.01	1026.72	42742.17	3390.97	659.14	18143.03	
Previous year	26025.48	9679.03	483.63	35220.88	2802.63	227.27	15411.20	19809.68
Capital work-in-progress and advances on capital account.@								
							7296.99	6169.91
							31896.13	25979.59

* Includes Rs.0.02 lac (previous year Rs.0.02 lac) being the cost of shares in co-operative societies and Rs.157.97 lacs (previous year Rs.157.97 lacs) towards cost of buildings for which titles are yet to be registered in the name of the Company.

Includes Rs.425.98 lacs (previous year Rs.425.98 lacs) in respect of a plot of land, title for which is yet to be registered in the name of the Company.

@ Includes pre - operative expenses of Rs.147.53 lacs (previous year Rs. 53.00 lacs)

Note:

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances) Rs.9067.57 lacs (previous year Rs.7445.29 lacs).



GODFREY PHILLIPS
— INDIA LIMITED —

Rupees in lacs

	As at 31.3.2010	As at 31.3.2009
SCHEDULE 5 - Investments		
LONG TERM (At cost unless otherwise stated)		
TRADE INVESTMENT - UNQUOTED		
Subsidiary company		
International Tobacco Company Limited 1,00,000 Equity shares of Rs.100 each fully paid up	100.00	100.00
Others		
Molind Engineering Limited 3,500 Equity shares of Rs.10 each fully paid up	0.25	0.25
IPM India Wholesale Trading Pvt.Ltd 49,60,000 Equity shares of Rs. 10 each fully paid up (purchased during the year)	496.00	-
OTHER INVESTMENTS - UNQUOTED		
Subsidiary companies:		
Chase Investments Limited 40,010 Equity shares of Rs.100 each fully paid up	40.01	40.01
1,58,490 Equity shares of Rs.100 each Rs.50 paid up	79.24	79.24
City Leasing and Finance Company Limited 4,00,020 Equity shares of Rs.10 each fully paid up	40.00	40.00
15,49,980 Equity shares of Rs.10 each Rs.5.50 paid up	85.25	85.25
Manhattan Credits and Finance Limited 19,50,000 Equity shares of Rs.10 each fully paid up	195.00	195.00
Others:		
Success Principles India Limited 1,99,673 Equity shares of Rs.10 each fully paid up	19.97	19.97
Modi Entertainers Networks Private Limited 1,000 Equity shares of Rs.10 each fully paid up	0.10	0.10
Franklin Templeton Mutual Fund		
Nil (Previous year 35,90,487) Units of Franklin Templeton Capital Safety Fund -3 Years Plan - Growth of Rs.10 each (sold during the year)	-	359.05
93,80,234 Units of Templeton India Income Opportunities Fund -Growth of Rs. 10 each (purchased during the year)	939.88	-
27,534 Units of Templeton India Short Term Income - Retail Plan-Growth of Rs. 1000 each (purchased during the year)	477.95	-
19,55,990 Units of Franklin Asian Equity Fund - Growth Plan of Rs. 10 each	200.00	200.00
Nil (Previous year 50,00,000) Units of Templeton Fixed Horizon Fund Series VII - Plan A - Institutional - Growth of Rs.10 each (sold during the year)	-	500.00
Nil (Previous year 43,25,718) Units of Templeton Fixed Horizon Fund Series IX-Plan A- Growth of Rs. 10 each (sold during the year)	-	432.57
SBI Mutual Fund		
10,00,000 Units of SBI - Infrastructure Fund - I - Growth of Rs. 10 each	100.00	100.00
Nil (Previous year 1,00,00,000 Units) of SBI - Debt Fund Series - 13 Months -7- (18-Mar-08) - Institutional - Growth of Rs.10 each (sold during the year)	-	1000.00
ICICI Prudential Mutual Fund		
Nil (Previous year 1,00,00,000) Units of ICICI Prudential FMP Series 41-19 Months Plan - Institutional - I - Cumulative of Rs.10 each (sold during the year)	-	1000.00
Nil (Previous year 90,00,000) Units of ICICI Prudential FMP Series 41-Fifteen Months Plan - Institutional - Growth of Rs.10 each (sold during the year)	-	900.00
1,62,30,764 Units of ICICI Prudential Institutional Short Term Plan - Cumulative Option of Rs.10 each (purchased during the year)	3010.44	-



Rupees in lacs

	As at 31.3.2010	As at 31.3.2009
SCHEDULE 5 - Investments (Continued)		
Birla Mutual Fund		
24,92,990 Units of Birla Income Plus Plan B - Growth of Rs.10 each	616.37	616.37
19,51,219 Units of BSL International Equity - Plan B - Growth of Rs. 10 each	200.00	200.00
Nil (Previous year 50,00,000) Units of Birla FTP - Institutional - Series AK - Growth of Rs. 10 each (sold during the year)	-	500.00
1,71,07,721 Units of Birla Sun Life Dynamic Bond Fund -Retail Growth of Rs. 10 each (purchased during the year)	2500.00	-
Kotak Mahindra Mutual Fund		
Nil (Previous year 10,00,000) Units of Kotak Wealth Builder Series 1 - Growth of Rs.10 each (sold during the year)	-	100.00
Nil (Previous year 20,00,000) Units of Kotak Flexi Fund of Funds - Series II (Dividend) of Rs.10 each (sold during the year)	-	200.00
DSP BlackRock Mutual Fund (Formerly DSP Merrill Lynch Mutual Fund)		
Nil (Previous year 1,00,00,000) Units of DSP Black Rock FMP 13 M Series 1 - Institutional Growth of Rs. 10 each (sold during the year)	-	1000.00
IDFC Mutual Fund		
50,00,000 Units of IDFC Enterprise Equity Fund - Growth of Rs.10 each	500.00	500.00
Nil (Previous year 50,00,000) Units of IDFC Fixed Maturity Plan - Yearly Series 17 - Plan B - Growth of Rs.10 each (sold during the year)	-	500.00
Nil (Previous year 1,50,47,758) Units of IDFC Fixed Maturity Plan - Yearly Series 24 - Plan B - Growth of Rs.10 each (sold during the year)	-	1504.78
HDFC Mutual Fund		
Nil (Previous year 1,50,00,000) Units of HDFC FMP 18M September 2007 (VI) - Wholesale Plan Growth of Rs.10 each (sold during the year)	-	1500.00
22,33,025 Units of HDFC Arbitrage Fund - Wholesale Plan - Quarterly Dividend of Rs. 10 each	223.30	223.30
Nil (Previous year 1,00,00,000) Units of HDFC FMP 18M January 2008 (VII) - Wholesale Plan Growth of Rs.10 each (sold during the year)	-	1000.00
54,89,729 Units of HDFC Income Fund -Growth of Rs. 10 each (purchased during the year)	1144.12	-
1,01,79,938 Units of HDFC Short Term Plan -Growth of Rs. 10 each (purchased during the year)	1719.59	-
HSBC Mutual Fund		
Nil (Previous year 50,00,000) Units of HSBC Fixed Term Series - 44 Institutional Growth of Rs.10 each (sold during the year)	-	500.00
Principal Mutual Fund		
38,42,983 Units of Principal Income Fund -Growth Plan of Rs.10 each	400.20	400.20
UTI Mutual Fund		
Nil (Previous year 1,00,00,000) Units of UTI Fixed Term Income Fund IV - III (08-14 Months) Institutional Plan of Rs.10 each (sold during the year)	-	1000.00
Reliance Mutual Fund		
Nil (Previous year 50,00,000) Units of Reliance Fixed Horizon Fund IV- Series 7- Institutional Growth Plan of Rs.10 each (sold during the year)	-	500.00
Nil (Previous year 2,50,00,000) Units of Reliance Fixed Horizon Fund - IV Series - 5 - Institutional Growth Plan of Rs.10 each (sold during the year)	-	2500.00
2,07,96,991 Units of Reliance Short Term Fund -Retail Plan -Growth of Rs.10 each (purchased during the year)	3441.76	-
TATA Mutual Fund		
50,00,000 Units of TATA Indo - Global Infrastructure Fund -Growth of Rs.10 each	500.00	500.00
Nil (Previous year 1,00,00,000) Units of TATA Fixed Investment Plan - 1 Scheme A - Institutional Plan - Growth of Rs. 10 each (sold during the year)	-	1000.00
ING Mutual Fund		
16,67,838 Units of ING Short Term Income Fund - Growth of Rs.10 each	219.25	219.25
20,00,000 Units of ING Global Real Estate Fund - Retail Growth of Rs.10 each	200.00	200.00
Nil (Previous year 50,00,000) Units of ING Long Term FMP - 1 Institutional Growth of Rs.10 each (sold during the year)	-	500.00



GODFREY PHILLIPS
—INDIA LIMITED—

Rupees in lacs

	As at 31.3.2010	As at 31.3.2009
SCHEDULE 5 - Investments (Continued)		
AIG Mutual Fund		
9,77,995 Units of AIG India Equity Fund Regular Growth of Rs.10 each	100.00	100.00
9,77,995 Units of AIG Infrastructure and Economic Reform Fund Regular Growth of Rs.10 each	100.00	100.00
DWS Mutual Fund		
Nil (Previous year 20,00,000) Units of DWS Fixed Term Fund Series 41- Institutional Growth of Rs.10 each (sold during the year)	-	200.00
Religare Mutual Fund		
Nil (Previous year 20,00,000) Units of Religare FMP -14 Months - Series II - Institutional Growth of Rs.10 each (sold during the year)	-	200.00
Fortis Mutual Fund		
Nil (Previous year 50,00,000) Units of Fortis FTP Series 10 Plan Fund Institutional - Growth of Rs.10 each (sold during the year)	-	500.00
Baroda Pioneer Mutual Fund		
50,00,000 Units of Baroda Pioneer PSU Bond Fund - Growth of Rs. 10 each (purchased during the year)	500.00	-
CURRENT (At lower of cost and fair value)		
OTHER INVESTMENTS - UNQUOTED		
Kotak Mahindra Mutual Fund		
1,32,52,295 Units of Kotak Flexi Debt Scheme Institutional -Growth of Rs. 10 each (purchased during the year)	1500.53	-
Government Securities	0.36	0.36
	19649.57	21315.70
Less: Provision for diminution in the value of other long term investments	164.00	330.00
	19485.57	20985.70
Aggregate amount of unquoted investments:		
- Units of Mutual Funds	18429.39	20425.52
- Others	1056.18	560.18
	19485.57	20985.70
Net asset value/repurchase price of units of Mutual Funds	19982.21	22494.84

Note:

Details of current investments purchased and sold during the year:

- UTI Treasury Advantage Fund - Institutional Plan (Daily Dividend Option) - Re-investment 6,05,904 Units of Rs. 1000 each at cost of Rs.6051 lacs.
- Reliance Medium Term Fund - Retail Plan - Growth Plan - Growth Option 6,17,15,084 Units of Rs. 10 each at cost of Rs.11285 lacs.
- Reliance Medium Term Fund - Daily Dividend Plan 1,68,07,454 Units of Rs. 10 each at cost of Rs. 2865 lacs.
- Birla Sun Life Cash Plus - Institutional Premium - Growth 11,59,11,392 Units of Rs. 10 each at cost of Rs. 16356 lacs.
- ICICI Prudential Flexible Income Plan Premium - Growth 25,10,50,513 Units of Rs. 10 each at cost of Rs. 39455 lacs.
- HDFC Cash Management Fund Treasury Advantage Plan - Wholesale - Daily Dividend - Reinvest 21,54,70,274 Units of Rs. 10 each at cost of Rs. 21584 lacs.
- Reliance Money Manager Fund - Institutional Option - Daily Dividend Plan 16,72,794 Units of Rs. 1000 each at cost of Rs. 16710 lacs.
- ICICI Prudential Flexible Income Plan Premium - Daily Dividend 4,20,84,058 Units of Rs. 100 each at cost of Rs.44434 lacs.
- Kotak Flexi Debt Scheme - Institutional - Daily Dividend 11,85,66,483 Units of Rs. 10 at each cost of Rs. 11900 lacs.
- Kotak Flexi Debt Scheme - Institutional - Growth 1,28,61,667 Units of Rs. 10 at each cost of Rs. 2400 lacs.



	As at 31.3.2010	As at 31.3.2009
SCHEDULE 6 - Inventories		
At cost or under:		
Stores and spare parts	824.25	621.81
At lower of cost and net realisable value:		
Raw and packing materials	24114.82	24710.63
Work-in-process	319.37	271.49
Finished goods - Cigarettes	7303.35	8042.15
- Cigars	-	299.34
- Chewing products	24.26	-
Other goods	3022.84	2096.34
Real estate*	405.69	405.69
	<u>36014.58</u>	<u>36447.45</u>

*Includes land at revalued cost

SCHEDULE 7 - Sundry debtors		
CONSIDERED GOOD		
Over six months - unsecured	217.90	38.47
Others - secured	32.54	34.54
- unsecured	4678.59	2962.31
CONSIDERED DOUBTFUL		
Over six months - unsecured	53.89	67.84
	4982.92	3103.16
Less: Provision for doubtful debts	53.89	67.84
	<u>4929.03</u>	<u>3035.32</u>

SCHEDULE 8 - Cash and bank balances		
Cash on hand	36.53	36.23
Cheques on hand	125.29	214.79
With scheduled banks : On current accounts	2258.13	1050.53
: On margin money accounts	988.54	457.24
: On fixed deposit accounts**	1.47	1.70
	<u>3409.96</u>	<u>1760.49</u>

** Lodged as security with Government Authorities



GODFREY PHILLIPS
—INDIA LIMITED—
Rupees in lacs

	As at 31.3.2010	As at 31.3.2009
SCHEDULE 9 - Loans and advances		
Unsecured, considered good, unless otherwise stated:		
Advances recoverable in cash or in kind or for value to be received*	4259.59	3186.36
Inter corporate deposits	50.00	100.00
Dues from subsidiary companies **	4964.77	4753.80
With excise and customs on current/cenvat accounts	174.68	268.60
Income-tax recoverable	592.40	1038.60
	10041.44	9347.36

*Includes:

i) Rs.8.08 lacs (previous year Rs.11.07 lacs) due from officer/directors of the Company. Maximum amount due during the year Rs. 11.07 lacs (previous year Rs.11.07 lacs).

ii) Rs.0.04 lacs (previous year Rs.Nil) due from Indofil Organic Industries Limited, a company under the same management. Maximum amount due during the year Rs.0.42 lac (previous year Rs.0.37 lac).

** Dues from subsidiaries represent loans and advances recallable on demand and comprise of:

i) Interest free loans to Kashyap Metal and Allied Industries Limited (given prior to insertion of section 372A on October 31, 1998) Rs.342.65 lacs (previous year Rs.342.65 lacs). Maximum amount due during the year Rs. 342.65 lacs (previous year Rs.342.65 lacs).

ii) Interest bearing loans/advances to:

(a) Loans to Kashyap Metal and Allied Industries Limited Rs.1592.44 lacs including interest (net of tax) for the year (previous year Rs.1580.97 lacs). Maximum amount due during the year Rs. 1592.44 lacs (previous year Rs.1603.51 lacs).

(b) Advances to International Tobacco Company Limited Rs.3029.68 lacs (previous year Rs.2830.18 lacs). Maximum amount due during the year Rs.3063.86 lacs (previous year Rs.2830.18 lacs).

SCHEDULE 10 - Current liabilities		
Sundry creditors #		
Dues of micro and small enterprises (Refer Note 8)	117.80	84.35
Dues of other than micro and small enterprises	20526.76	23501.90
Interest accrued but not due on loans and deposits	178.63	93.89
	20823.19	23680.14

Sundry creditors do not include any amounts outstanding as on March 31, 2010 which are required to be credited to the Investor Education and Protection Fund.

SCHEDULE 11 - Provisions		
Proposed dividend	2599.70	2599.70
Provision for corporate dividend tax	431.78	441.82
Taxation (net of payments)	740.80	762.40
Provision for compensated absences	2669.76	2358.88
Provision for gratuity	307.14	575.38
	6749.18	6738.18

SCHEDULE 12 - Deferred taxation		
<u>Deferred tax liabilities</u>		
- Accelerated depreciation	1625.66	1427.57
- Capital gains	44.27	45.31
- Others	39.11	-
	1709.04	1472.88
<u>Deferred tax assets</u>		
- Accrued expenses deductible on payment	1569.40	1256.68
- Others	42.47	452.07
	1611.87	1708.75
Deferred tax (assets)/liabilities - net	97.17	(235.87)



Rupees in lacs

	For the year ended 31.3.2010	For the year ended 31.3.2009
SCHEDULE 13 - Other income		
Rent and hire charges (gross) from:		
- Subsidiary company	4.80	4.80
- Others	122.21	105.15
Interest (gross) from:		
- Subsidiary companies	387.13	324.14
- Debts, deposits, loans, etc.	252.52	196.85
Income (gross) from other long term investments:		
- Dividends	161.90	194.64
- Interest	-	4.32
Profit on redemption/sale of other long term investments	2230.04	2653.41
Profit on sale of other current investments	214.84	172.25
Liabilities no longer required, written back	1.06	110.78
Doubtful debts and advances written back	0.20	-
Export incentives	934.31	715.46
Provision made for decline in the value of other long term investments written back	166.00	-
Sundries	2051.01	1058.43
	6526.02	5540.23
Tax deducted at source:		
Interest income	53.36	82.14
Rent and hire charges	22.27	26.46
Sundries	6.71	1.81

SCHEDULE 14 - Raw and packing materials, manufactured and other goods				
Raw and packing materials consumed		35648.45		27333.65
Manufacturing charges paid to a subsidiary company for cigarettes manufactured on our behalf		3624.11		3060.19
Purchases for resale (including transferred from raw and packing materials)		29823.50		22664.28
(Increase)/decrease in work-in-process, finished goods and other goods				
Opening stock:				
- Work-in-process	271.49		188.49	
- Finished goods - Cigarettes	8042.15		5342.31	
- Cigars	299.34		338.10	
- Other goods	2096.34		925.33	
- Real estate	405.69		405.69	
	11115.01		7199.92	
Closing stock:				
- Work-in-process	319.37		271.49	
- Finished goods - Cigarettes	7303.35		8042.15	
- Cigars	-		299.34	
- Chewing products	24.26		-	
- Other goods	3022.84		2096.34	
- Real estate	405.69		405.69	
	11075.51	39.50	11115.01	(3915.09)
		69135.56		49143.03

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SCHEDULE 16 – Notes to the accounts for the year ended March 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant presentational requirements of the Companies Act, 1956.

i) Fixed assets and depreciation

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation and include interest on loans attributable to the acquisition of qualifying assets upto the date of their commissioning. No amortization is done in respect of leasehold land in view of the lease being perpetual.

Depreciation in the accounts is charged on the straight line method at the rates prescribed under the Companies Act, 1956 and is calculated on a full year basis on additions during the year and no depreciation is provided on assets deleted during the year. Extra shift depreciation is computed in full on a concern basis and not prorated to the number of days of shift working. Assets, other than items costing upto Rs. 5000 each, are depreciated upto 95% of their value and 5% residual value is retained in the books.

The depreciation rates which are different from the principal rates specified in Schedule XIV of the Companies Act, 1956 are as follows:-

Items of machinery and equipment costing upto Rs. 5,000 each acquired upto December 16, 1993	95%
Assets, other than data processing equipment, acquired upto December 31, 1987 and data processing equipment acquired upto December 31, 1986	SLM equivalent of rates applicable under the Income-tax Rules, 1962 at the time of acquisition of such assets.

ii) Investments

Long term investments are stated at cost net of provision for permanent diminution, if any. Current investments are stated at cost or fair value, whichever is lower.

iii) Inventories

Inventories are valued at cost or net realisable value, whichever is lower except stores and spare parts which are valued at cost or under. Cost of real estate is determined taking into account revalued cost of land and construction cost incurred thereon. The cost of raw materials, stores and spares and other goods is determined on moving weighted average cost basis. The cost of finished goods and work-in-process is determined on standard absorption cost basis which approximates actual costs. Absorption cost comprises raw materials cost, direct wages, appropriate share of production overheads and applicable excise duty paid/payable thereon.

iv) Revenue recognition

Sale of goods is recognised at the point of despatch of goods to customers. Sales are inclusive of excise duty where applicable but exclusive of sales tax. Income from investments is recognised on an accrual basis.

v) Employee benefits

The Company has various schemes of employee benefits such as provident fund, superannuation fund and gratuity fund duly recognised by the Income-tax authorities. The funds are administered through trustees and the Company's contributions are charged against the revenue every year. Accrued liability for gratuity and compensated absences on retirement are determined on the basis of actuarial valuation at the end of the financial year.



SCHEDULE 16 – Notes to the accounts (contd.)

vi) Income-tax

Provision for income-tax is based on the assessable profits computed in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

vii) Proposed dividends

Dividends proposed by the directors as appropriation of profits are provided for in the books of account, pending approval of shareholders at the annual general meeting.

viii) Research and development expenditure

Research and development expenditure is charged to revenue under the natural heads of account in the year in which it is incurred.

ix) Foreign currency transactions

Transactions in foreign currency are recorded at the exchange rates prevailing at the time of transactions. Gains/losses on settlement of the transactions are taken to the profit and loss account. The monetary items are translated at the year end rates and the gains/losses are taken to the profit and loss account. The difference between the forward rate and the exchange rate at the date of the forward contract transaction is recognised as income or expense over the life of the contract in the profit and loss account. The exchange difference on such contracts i.e. difference between the exchange rate at the reporting / settlement date and the exchange rate on the date of inception of the contract/the last reporting date, is recognised as income or expense for the period.

Rupees in lacs

	For the year ended 31.3.2010	For the year ended 31.3.2009
2. REMUNERATION OF DIRECTORS		
a) Included in Schedule 15 are:		
Salaries*	186.55	126.18
Monetary value of benefits	43.22	43.05
Commission	115.27	90.00
Sitting fees	9.60	11.20
	354.64	270.43
*excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.		
b) Computation of directors' commission and net profit in accordance with Section 198 of the Companies Act, 1956		
Profit before taxation	16739.57	16590.64
Add/(less):		
Directors' remuneration	354.64	270.43
Profit on redemption/sale of other long term investments	(2230.04)	(2653.41)
Bad debts and advances written off against provision	(13.75)	-
Provision for doubtful debts and advances written back	(0.20)	-
	14850.22	14207.66
Maximum commission payable to the three working Directors @ 4% of the above profit	594.00	568.31
Restricted to	115.27	90.00



SCHEDULE 16 – Notes to the accounts (contd.)

Rupees in lacs

	For the year ended 31.3.2010	For the year ended 31.3.2009
3. AUDITORS' REMUNERATION*		
As auditors		
Audit fee	40.00	40.00
Out of pocket expenses	5.12	4.26
In other capacity		
For limited review of unaudited financial results	30.00	29.50
For corporate governance, consolidated financial statements and other certification work	4.50	4.00
For tax audit	11.00	11.00
For miscellaneous certificates	0.55	5.13
	91.17	93.89
*Net of service tax		
4. EXPENDITURE ON SCIENTIFIC RESEARCH AND DEVELOPMENT		
Revenue expenditure	789.53	710.92
Capital expenditure	265.36	383.44
5. CONTINGENT LIABILITIES NOT PROVIDED FOR	As at	As at
	31.3.2010	31.3.2009
a) Demands from excise, income tax, sales tax and other authorities disputed by the Company	448.85	274.03
b) Uncalled liability on shares partly paid	148.99	148.99
c) Surety given to U.P. Trade Tax Authority on behalf of subsidiary company-International Tobacco Company Limited	15.66	15.66
d) Guarantee given to a bank on behalf of subsidiary company – International Tobacco Company Limited	26.83	20.86

6. The following are the particulars of dues on account of sales tax, excise duty and income-tax as at March 31, 2010 that have been disputed by the Company in appeals pending before the appellate authorities:

Name of the statute	Nature of the dues	Amount of dues* (Rs. lacs)	Amount deposited (Rs. lacs)	Period to which the amount relates	Forum where dispute is pending
Sales Tax Laws	Sales tax	3.31	2.73	1995-96, 2001-02, 2004-05	Sales Tax Tribunal
		31.54	17.30	1998-99 to 1999-00, 2005-06 to 2006-07, 2008-09 to 2009-10	Upto Commissioners' Level
		16.88	11.88	2006-07, 2007-08	High Court
Central Excise Law	Excise duty	29.37	-	2000-01 to 2006-07	Upto Commissioners' Level
		3.68	-	2004-05	Customs Excise Service Tax Appellate Tribunal
Income Tax Law	Income tax	244.00**	244.00	1980 to 1983, 1995-96 to 1997-98	High Court
		273.25**	273.25	2000-01, 2002-03 to 2004-05	Income Tax Appellate Tribunal
		410.50**	366.87	1999-00, 2001-02, 2004-05 to 2007-08	Upto Commissioners' Level

* amount as per demand orders, including interest and penalty, where quantified in the Order.

** provided for in the accounts to the extent of Rs.822.39 lacs.

Further, there are no dues of wealth tax, customs duty and service tax which have not been deposited on account of any disputes.

SCHEDULE 16 – Notes to the accounts (contd.)

Further, as per information available with the Company, the concerned authority is in appeal against favourable orders received by the Company in respect of the following matters:

Name of the statute	Nature	Amount (Rs. lacs)	Period to which the amount relates	Forum where department has preferred appeal
Income Tax Law	Income tax	313.49	1969, 1974 to 1977, 1991-92 to 1994- 95, 2001-02	High Court
		161.73	2002-03 to 2004-05	Income Tax Appellate Tribunal
		6.07	2000-01	Upto Commissioners' Level
Central Excise Law	Excise duty	1.89	2004-05	Custom Excise Service Tax Appellate Tribunal
U.P. Krishi Utpadan Mandi Adhiniyam	Mandi cess	108.20	1997-98 to 1998-99	Supreme Court

7. The Company and its contract manufacturer have received various show cause notices from Excise Authorities asking them to explain why certain amounts mentioned in these notices should not be paid. As these notices are in the nature of explanations required, the Company does not consider these to constitute a liability of any kind.
8. Sundry creditors include Rs.117.80 lacs (previous year Rs.84.35 lacs) due to micro and small enterprises covered under "The Micro, Small and Medium Enterprises Act, 2006" to the extent such parties have been identified from the available information. The Company has not received any claim for interest from any party covered under the said Act.
9. The Company has entered into various operating lease agreements for premises (residential, offices, godowns, etc.). These lease arrangements are mostly cancellable in nature and range between two to three years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate rentals paid under such agreements have been charged as rent in Schedule 15. The future minimum lease payments in respect of non-cancellable periods of certain operating leases are as under:
 - (i) for periods not later than one year – Rs.122.86 lacs (previous year – Rs.60.00 lacs).
 - (ii) for periods between later than one year and less than five years – Rs.281.26 lacs (previous year – Rs.213.00 lacs).

The Company, pursuant to the contract manufacturing arrangement with its wholly owned subsidiary company International Tobacco Company Limited, has taken from it certain plant and machinery and equipments for use in its manufacturing operations. Hire charges, if any, payable in respect thereof have been charged as rent in Schedule 15 .

The Company has let out and sub-let part of its owned and rented office premises under lease arrangements which are cancellable in nature but renewable on mutually agreeable terms. The rent and hire charges receivable in respect thereof have been accrued as income in Schedule 13.

10. Exchange gain (net) included in the profit and loss account for the year is Rs.1203.46 lacs (previous year- loss (net) Rs.2780.62 lacs).

SCHEDULE 16 – Notes to the accounts (contd.)

11. Related party disclosures under Accounting Standard 18

(A) Names of related parties and nature of related party relationships:

(a) Subsidiary companies:

International Tobacco Company Limited
Chase Investments Limited
City Leasing and Finance Company Limited
Manhattan Credits and Finance Limited
Kashyap Metal and Allied Industries Limited
Unique Space Developers Limited

(b) Subsidiaries of the subsidiary companies:

Rajputana Infrastructure Corporate Limited
Gopal Krishna Infrastructure & Real Estate Limited

(c) Associates:

Philip Morris International Finance Corporation, of which the Company is an associate.
Success Principles India Limited, an associate of the Company.
IPM India Wholesale Trading Private Limited, an associate of the Company.

(d) Key management personnel:

Mr. K.K.Modi	President and Managing Director
Mr. Lalit Kumar Modi	Executive Director
Mr. Samir Kumar Modi	Executive Director
Mr. S.V.Shanbhag	Whole-time Director (upto July 31, 2009)
Mr. R.Ramamurthy	Whole-time Director (from August 14, 2009)

(e) Enterprises over which key management personnel and their relatives are able to exercise significant influence:

Modi Entertainment Limited
Modicare Limited
Modern Homecare Products Limited
K.K.Modi Investment & Financial Services Private Limited
Beacon Travels Private Limited
Indofil Organic Industries Limited
Assam Cigarette Company Private Limited
R C Tobacco Private Limited
HMA Udyog Private Limited
Kaushambi Industries Private Limited
Bina Fashion N Food Private Limited
Modicare Foundation
Priyal Hitay Nidhi
Colorbar Cosmetics Private Limited
Gujarmal Modi Science Foundation
Ananda Embroidery Industries Private Limited
Doruka Designs Private Limited
Modi Healthcare Placement India Private Limited



SCHEDULE 16 – Notes to the accounts (contd.)

(B) Disclosure of transactions between the Company and related parties and the status of outstanding balances as at the year end:

Nature of transactions	Rupees in lacs							
	Subsidiary companies		Associates		Key management personnel		Enterprises over which significant influence exists	
	2010	2009	2010	2009	2010	2009	2010	2009
Sale of goods, spare parts, etc.	10.04	4.86	3514.97@	-	-	-	440.77	69.90
Purchase of goods/services	7.63	8.13	1355.96@	-	-	-	914.37 #	1215.29 #
Deposits given	-	-	-	-	-	-	-	2.90
Interest income	387.13	324.14	11.46@	-	-	-	19.92	-
Miscellaneous Income	-	-	3.04@	-	-	-	-	-
Rent and hire charges received	4.80	4.80	-	-	-	-	122.20	108.14
Manufacturing charges paid								
- International Tobacco Company Ltd.	3624.11	3060.19	-	-	-	-	-	-
Rent paid	-	17.02	-	-	-	-	31.95	25.13
Payments for employees on deputation	-	-	-	-	-	-	79.20	73.02
Donation given	-	-	-	-	-	-	104.00	96.70
Expenses recovered	7.12	22.22	1044.46@	-	0.79	0.53	0.33	1.26
Expenses reimbursed	84649.08*	46943.97*	-	-	-	-	4.11	7.56
Balance written off	-	-	-	-	-	-	0.01	-
Dividend payment (gross)								
- Philip Morris International Finance Corpn.	-	-	652.52	934.18	-	-	-	-
Subscription to equity shares of								
- IPM India Wholesale Trading Private Limited	-	-	496.00	-	-	-	-	-
Managerial remuneration##	-	-	-	-	345.04	259.23	-	-
Balance outstanding as at the year end								
- Sundry debtors	-	-	33.53@	-	-	-	214.66	-
- Loans and advances	4964.77	4753.80	74.36@	-	-	1.99	18.82	28.64
- Sundry creditors	-	-	7.20@	-	-	0.04	592.91	579.96
- Surety given by International Tobacco Company Ltd. on behalf of the Company to U.P.Trade Tax Authority	357.78	349.24	-	-	-	-	-	-
- Surety given by the Company on behalf of International Tobacco Company Ltd. to U.P. Trade Tax Authority	15.66	15.66	-	-	-	-	-	-
- Guarantees given by the Company to a bank on behalf of International Tobacco Company Ltd.	26.83	20.86	-	-	-	-	-	-

@ From IPM India Wholesale Trading Private Limited

*comprising reimbursement to wholly owned subsidiary, International Tobacco Company Limited for payments made by them for and on behalf of the company under the contract manufacturing arrangement, out of the funds made available by the company.

includes Rs.760.41 lacs (previous year Rs. 1121.03 lacs) from Beacon Travels Private Ltd.

excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.

SCHEDULE 16 – Notes to the accounts (contd.)

12. Segment reporting disclosures under Accounting Standard 17

(A) Business segments:

Based on the guiding principles given in Accounting Standard-17 "Segment Reporting", the Company's primary business segments are (a) Cigarette and tobacco products; and (b) Tea and other retail products.

(B) Geographical segments:

Since the Company's activities/operations are primarily within the country and considering the nature of products it deals in, the risks and returns are same and as such there is only one geographical segment.

Financial information about the primary business segments is presented in the table below:

Rupees in lacs						
	Cigarette and tobacco products	Tea and other retail products	Total	Cigarette and tobacco products	Tea and other retail products	Total
	For the year ended March 31, 2010			For the year ended March 31, 2009		
1. Segment revenue - External sales (gross)	248748.20	12018.07	260766.27	216687.61	10217.54	226905.15
- Less : Excise duty	122378.91	-	122378.91	113695.63	-	113695.63
- Net sales	126369.29	12018.07	138387.36	102991.98	10217.54	113209.52
- Other income	2320.63	77.46	2398.09	2209.26	61.73	2270.99
- Total	128689.92	12095.53	140785.45	105201.24	10279.27	115480.51
- Unallocable income			4127.93			3269.24
Total revenue			144913.38			118749.75
2. Segment result	14146.21	(675.50)	13470.71	17304.08	(1309.55)	15994.53
- Unallocable income net of unallocable expenses			3948.95			1168.45
Profit before interest and taxation			17419.66			17162.98
- Interest expenses			(680.09)			(572.34)
- Provision for taxation			(4901.10)			(5700.28)
Profit after taxation			11838.47			10890.36
3. Other information	As at March 31, 2010			As at March 31, 2009		
a) Segment assets	78550.21	4055.80	82606.01	69190.02	3269.92	72459.94
- Unallocable assets/investments			23170.70			25331.84
Total assets			105776.71			97791.78
b) Segment liabilities	22233.28	1238.79	23472.07	25318.92	1058.85	26377.77
- Share capital and reserves			66651.74			57844.75
- Unallocable liabilities			15652.90			13569.26
Total liabilities			105776.71			97791.78
	For the year ended March 31, 2010			For the year ended March 31, 2009		
c) Capital expenditure including capital work in progress	9628.43	46.66	9675.09	13655.91	45.61	13701.52
d) Depreciation and amortization	3338.92	52.05	3390.97	2748.98	53.65	2802.63
e) Non cash expenditure other than depreciation	284.01	26.87	310.88	443.03	42.11	485.14

SCHEDULE 16 – Notes to the accounts (contd.)

Segment accounting policies:

In addition to the significant accounting policies applicable to the business segments as set out in Note 1 in Schedule 16, the accounting policies in relation to segment accounting are as under:

a) **Segment revenue and expenses:**

Segment revenue and expenses only include items directly attributable to the segment. They do not include investment income, interest income from inter-corporate deposits and loans given, dividend income, profit or loss on sale of investments, provision for diminution in value of investments, interest expense (excluding those relating to segments) and bill discounting charges, donations and provision for taxation (current, deferred and fringe benefit tax). Since the corporate office of the Company primarily caters to the cigarette and tobacco products segment, its expenses have been considered to be attributable to the same.

b) **Segment assets and liabilities:**

All segment assets and liabilities are directly attributable to the segment.

Segment assets include all operating assets used by the segment and consist principally of net fixed assets, inventories, sundry debtors, loans and advances and operating cash and bank balances. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include investments, inter-corporate deposits and loans given, bank balances for unclaimed dividend and fixed deposits interest, real estate stock, share capital, reserves and surplus, loan funds, dividends payable and income-tax (current, deferred and fringe benefit tax).

	For the year ended 31.3.2010	For the year ended 31.3.2009
13. Earnings per share has been computed as under:		
(a) Net profit as per profit and loss account (Rs.lacs)	11838.47	10890.36
(b) Weighted average number of equity shares outstanding	1,03,98,784	1,03,98,784
(c) Basic and diluted earnings per share -Rupees (face value of share-Rs.10 each)	113.84	104.73

14. Employee Benefits

The Company has classified the various benefits provided to employees as under -

I. Defined contribution plans and amounts recognized in profit and loss account

Rupees in lacs

	Current year	Previous year
- Employers' contribution to provident fund and employee's pension scheme	619.86	496.38
- Employers' contribution to superannuation fund	233.01	220.39
- Employers' contribution to employee's state insurance	2.94	1.17

II. Other long term employee benefits (based on actuarial valuation)

- Compensated absences – amount recognized in profit and loss account – Rs.488.30 lacs; previous year Rs.670.59 lacs.

SCHEDULE 16 – Notes to the accounts (contd.)

III. Defined benefit plans (based on actuarial valuation)

- Gratuity

In accordance with Accounting Standard 15 (revised 2005), actuarial valuation was done in respect of the aforesaid defined benefit plan and details of the same is given below:

A) Principal Assumptions	Gratuity (Funded)	
	Current year	Previous year
<ul style="list-style-type: none"> Discount rate (per annum) Rate of increase in compensation levels 	8.20% Management: 9% p.a. for first 4 years & 7% p.a. thereafter Non Management: 7%	7% Management: 9% p.a. for first 5 years & 7% p.a. thereafter Non Management: 6%
<ul style="list-style-type: none"> Expected rate of return on plan assets Expected average remaining working lives of employees Retirement age 	7.50% 11.01 years 58 years	7.50% 12.09 years 58 years
Rupees in lacs		
	Current year	Previous year
B) Changes in the present value of obligation		
<ul style="list-style-type: none"> Present value of obligation as at the beginning of the year Interest cost Current service cost Benefits paid Actuarial (gain)/loss on obligations Present value of obligation as at the end of the year 	3183.26 215.14 192.36 (164.82) 125.79 3551.73	2610.63 188.11 134.65 (205.95) 455.82 3183.26
C) Change in the fair value of plan assets		
<ul style="list-style-type: none"> Fair value of plan assets as at the beginning of the year Expected return on plan assets Actuarial gain/ (loss) on plan assets Contributions received Benefits paid Fair value of plan assets as at the end of the year 	2611.94 185.23 53.42 575.38 (164.82) 3261.15	2052.79 141.86 118.12 505.12 (205.95) 2611.94
D) Excess of fair value over book value of plan assets	16.56	4.06
E) Net liability recognized in the balance sheet (B-C+D)	307.14	575.38
F) Constitution of plan assets		
<ul style="list-style-type: none"> Government Securities Public Sector Bonds Special Deposit Schemes Others Total 	1191.15 2061.08 18.97 (10.05) 3261.15	1170.43 1446.07 18.97 (23.53) 2611.94
G) Expenses recognized in the profit and loss account		
<ul style="list-style-type: none"> Current service cost Interest cost Expected return on plan assets Net actuarial (gain)/ loss Total 	192.36 215.14 (185.23) 84.87 307.14	134.65 188.11 (141.86) 341.76 522.66



GODFREY PHILLIPS
—INDIA LIMITED—

SCHEDULE 16 – Notes to the accounts (contd.)

15. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3, 4C AND 4D OF PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

			For the year ended 31.3.2010	For the year ended 31.3.2009	
	Unit	Qty.	Rs. in lacs	Qty.	Rs. in lacs
I. Class of Goods, Capacity and Production					
Class of goods manufactured					
- Cigarettes					
Capacity (per annum)					
- Licensed	Million	18750 *		18750*	
- Installed (on a single shift basis)	Million	5160		4566	
Production	Million	6536		5660	
Cigarettes manufactured by the subsidiary company on behalf of the Company	Million	9060		8501	
*Including 25% admissible production over licensed capacity					
Installed capacity has been certified by a director but has not been verified by the auditors as this is a technical matter.					
II. Turnover and stocks					
a) Particulars of sales (gross)**					
- Cigarettes	Million	15736	224083.96	13813	196515.51
- Unmanufactured tobacco	Tonne	11854	20817.69	10868	16671.11
- Cigars	'000 Pcs	6274	382.55	4203	430.08
- Chewing products	Kg	6055	56.38	-	-
- Other goods			15425.69		13288.45
b) Details of stock-in-trade					
i) Opening stocks					
- Cigarettes	Million	745	8042.15	512	5342.31
- Cigars	'000 Pcs	5877	299.34	8485	338.10
- Real estate			405.69		405.69
- Other goods			2096.34		925.33
ii) Closing stocks					
- Cigarettes	Million	622	7303.35	745	8042.15
- Cigars	'000 Pcs	-	-	5877	299.34
- Chewing products	Kg	2620	24.26	-	-
- Real estate			405.69		405.69
- Other goods			3022.84		2096.34

** excludes samples, write-offs, etc.



SCHEDULE 16 – Notes to the accounts (contd.)

		For the year ended 31.3.2010		For the year ended 31.3.2009	
	Unit	Qty.	Rs. in lacs	Qty.	Rs. in lacs
III. Raw and packing materials consumed					
Unmanufactured & blended tobacco	Tonne	16107	18987.40	15890	13550.29
Cigarette paper	Bobbin	161385	736.67	145101	593.37
Cardboard (shells, slides and others)	Tonne	5999	6823.78	5290	5798.89
Filter rods	Million	2746	3802.28	2388	2821.58
Aluminium foil/Metallised paper	Million Meter	196	1224.81	175	1034.67
Cellulose paper	Tonne	412	753.81	342	635.66
Miscellaneous			3319.70		2899.19
			35648.45		27333.65
IV. Purchases for resale					
Unmanufactured tobacco	Tonne	11854	18618.96	10868	13615.65
Cigars	'000 Pcs	406	63.18	1862	186.79
Cigarette		42	1355.96	-	-
Other goods-Tea, etc. (including packing materials and processing charges)			9785.40		8861.84
			29823.50		22664.28
V. Value of imported and indigenous raw and packing materials and spare parts					
	% of total consumption		Rs. in lacs	% of total consumption	Rs. in lacs
(A) Raw and packing materials					
i) Imported	9.73		3468.83	7.78	2125.27
ii) Indigenous	90.27		32179.62	92.22	25208.38
	100.00		35648.45	100.00	27333.65
(B) Spare parts					
i) Imported	50.90		210.48	52.98	111.49
ii) Indigenous	49.10		203.07	47.02	98.96
	100.00		413.55	100.00	210.45
VI. Earnings in foreign exchange					
a) Export of goods on F.O.B. basis			31195.10		24100.08
b) Others including freight, etc.			502.78		600.30
			31697.88		24700.38
VII. Value of imports on C.I.F. basis (including those in transit)					
i) Raw materials			3114.69		2261.72
ii) Components and spare parts			341.98		231.38
iii) Capital goods			2746.66		7390.98
iv) Purchases for resale - cigars, etc.			26.33		98.67
			6229.66		9982.75



GODFREY PHILLIPS
—INDIA LIMITED—

SCHEDULE 16 – Notes to the accounts (contd.)

	For the year ended 31.3.2010 Rs. in lacs	For the year ended 31.3.2009 Rs. in lacs
VIII. Expenditure in foreign currencies		
Fees for technical services (net of tax)	795.34	751.44
Professional /consultancy fees (net of tax)	520.24	144.34
Interest (net of tax)	574.95	413.92
Others	674.13	728.29
	2564.66	2037.99
IX. Dividends remittance to non-resident shareholders in foreign currency		
Amount of dividends	652.52	934.18
Number of non-resident shareholders to whom remittances made	1	1
Number of shares on which remittances made	26,10,095	37,36,704
Year for which dividends remitted (year ended)	31.3.2009	31.3.2008

16. (a) Foreign currency exposures that are not hedged by derivative instruments or otherwise are as follows:

	As at 31.3.2010		As at 31.3.2009	
Particulars	Amount in foreign currency (Lacs)	Amount in Rs. Lacs	Amount in foreign currency (Lacs)	Amount in Rs. Lacs
Loan funds	202.59 USD	9233.85	135.11 USD	6951.63
Sundry debtors	6.30 USD 0.01 EURO	281.42 0.60	9.73 USD 0.31 EURO	491.66 20.68
Current liabilities and provisions	13.40 USD 2.52 EURO 0.97 GBP 0.77 HKD	614.87 150.82 66.87 4.43	7.19 USD 3.60 EURO 0.41 GBP 0.66 HKD	369.93 246.01 30.27 4.30
(b) Derivative instrument outstanding as at year end:				
(i) Currency option and interest rate swap to hedge exposure in foreign currency loan and interest thereon	21765.00 JPY	9233.85	13500.00 JPY	5665.38
(ii) Forward exchange contracts to hedge future export proceeds	-	-	25.90 USD	1308.73
(iii) Total number of contracts (nos.)	-	-	-	9

17. The figures for the previous year have been re-cast, wherever necessary to conform to the current year's classification.

For and on behalf of the Board of Directors

S. SERU
Chief Executive

SAMIR KUMAR MODI
Executive Director

R.A. SHAH
Chairman

R.N. AGARWAL
Chief Financial Officer

R. RAMAMURTHY
Whole-time Director

K.K. MODI
President

New Delhi : May 29, 2010

SANJAY GUPTA
Company Secretary

C.M. MANIAR
LALIT BHASIN
O.P. VAISH
ANUP N. KOTHARI

Directors

Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956.
Balance Sheet Abstract and Company's General Business Profile:

I. Registration Details

Registration Number	8587
State Code	11
Balance Sheet Date	31.03.2010

II. Capital Raised during the year

(Amount in Rs. Thousands)

Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Placement	Nil

III. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousands)

Total Liabilities	10577671
Total Assets	10577671

Source of Funds:

Paid-up Capital	103988
Reserves and Surplus	6561186
Secured Loans	1145543
Unsecured Loans	Nil

Applications of Funds:

Net Fixed Assets	3189613
Investments	1948557
Net Current Assets	2672547
Misc. Expenditure	Nil
Accumulated Losses	Nil

IV. Performance of the Company

(Amount in Rs. Thousands)

Turnover	26729229
Total Expenditure	25055272
Profit/(Loss) Before Tax	1673957
Profit/(Loss) After Tax	1183847
Earning Per Share (Rs.)	113.84
Dividend Rate (%)	250

V. Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

Item Code No.(ITC Code)	2402.20
Product Description	Cigarettes containing tobacco
Item Code No. (ITC Code)	2401.20
Product Description	Unmanufactured tobacco
Item Code No. (ITC Code)	902.30
Product Description	Tea black in packets

For and on behalf of the Board of Directors

S. SERU
Chief Executive

SAMIR KUMAR MODI
Executive Director

R.A. SHAH
Chairman

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Chief Financial Officer

R. RAMAMURTHY
Whole-time Director

K.K. MODI
President

New Delhi : May 29, 2010

SANJAY GUPTA
Company Secretary

C.M. MANIAR
LALIT BHASIN
O.P. VAISH
ANUP N. KOTHARI

Directors

STATEMENT

pursuant to Section 212 of the Companies Act, 1956

**GODFREY PHILLIPS**
—INDIA LIMITED—**A. Holding Company's interest in the subsidiaries at the close of the respective financial years.**

Name of the Subsidiary	Financial Year ended	Extent of interest
1. International Tobacco Company Limited	31.3.2010	The entire issued share capital of 100000 Equity Shares of Rs. 100 each fully paid.
2. Chase Investments Limited	31.3.2010	The entire issued share capital of 198500 Equity Shares of Rs. 100 each of which 40010 are fully paid up and 158490 are Rs.50 paid up.
3. City Leasing and Finance Company Limited	31.3.2010	The entire issued share capital of 1950000 Equity Shares of Rs. 10 each of which 400020 are fully paid up and 1549980 are Rs. 5.50 paid up.
4. Manhattan Credits and Finance Limited	31.3.2010	The entire issued share capital of 1950000 Equity Shares of Rs. 10 each fully paid.
5. Kashyap Metal and Allied Industries Limited	31.3.2010	Nil (It is a subsidiary under Section 4(3) (b)(ii) of the Companies Act, 1956.)
6. Unique Space Developers Limited	31.3.2010	Nil (It is a subsidiary under Section 4(3) (b)(ii) of the Companies Act, 1956.)
7. Gopal Krishna Infrastructure & Real Estate Limited	31.3.2010	Nil (It is a subsidiary under Section 4(1) (c) of the Companies Act, 1956.)
8. Rajputana Infrastructure Corporate Limited	31.3.2010	Nil (It is a subsidiary under Section 4(1) (c) of the Companies Act, 1956.)

B. Net aggregate amount of profits/(losses) of the subsidiaries not dealt with in the Holding Company's accounts.

Name of the Subsidiary	For Financial Year ended 31.3.2010 Rs. in lacs	For Previous Financial Years Rs. in lacs
1. International Tobacco Company Limited	205.44	894.13
2. Chase Investments Limited	6.71	231.05
3. City Leasing and Finance Company Limited	3.00	115.70
4. Manhattan Credits and Finance Limited	2.72	36.18
5. Kashyap Metal and Allied Industries Limited	Not Applicable	Not Applicable
6. Unique Space Developers Limited	Not Applicable	Not Applicable
7. Gopal Krishna Infrastructure & Real Estate Limited	Not Applicable	Not Applicable
8. Rajputana Infrastructure Corporate Limited	Not Applicable	Not Applicable

C. Net aggregate amount of profits/(losses) of the subsidiaries dealt with in the Holding Company's accounts, being the dividend received.

Name of the Subsidiary	For Financial Year ended 31.3.2010 Rs. in lacs	For Previous Financial Years Rs. in lacs
1. International Tobacco Company Limited	Nil	Nil
2. Chase Investments Limited	Nil	8.16
3. City Leasing and Finance Company Limited	Nil	8.29
4. Manhattan Credits and Finance Limited	Nil	7.20
5. Kashyap Metal and Allied Industries Limited	Not Applicable	Not Applicable
6. Unique Space Developers Limited	Not Applicable	Not Applicable
7. Gopal Krishna Infrastructure & Real Estate Limited	Not Applicable	Not Applicable
8. Rajputana Infrastructure Corporate Limited	Not Applicable	Not Applicable

For and on behalf of the Board of Directors

S. SERU
Chief ExecutiveSAMIR KUMAR MODI
Executive DirectorR.A. SHAH
ChairmanR.N. AGARWAL
Chief Financial OfficerR. RAMAMURTHY
Whole-time DirectorK.K. MODI
President

New Delhi : May 29, 2010

SANJAY GUPTA
Company SecretaryC.M. MANIAR
LALIT BHASIN
O.P. VAISH
ANUP N. KOTHARI

Directors



GODFREY PHILLIPS
—INDIA LIMITED—

CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF GODFREY PHILLIPS INDIA LIMITED

1. We have audited the attached Consolidated Balance Sheet of **GODFREY PHILLIPS INDIA LIMITED** ("the Company"), its subsidiaries and associates (the Company, its subsidiaries and associates constitute "the Group") as at March 31, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. The Consolidated Financial Statements include investments in associates accounted for on the equity method in accordance with Accounting Standard (AS) - 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries viz., Chase Investments Limited, City Leasing and Finance Company Limited, Manhattan Credits and Finance Limited, Kashyap Metal and Allied Industries Limited (including its subsidiary Rajputana Infrastructure Corporate Limited) and Unique Space Developers Limited (including its subsidiary Gopal Krishna Infrastructure & Real Estate Limited) whose financial statements reflect total assets of Rs. 3569.35 lacs as at March 31, 2010, total revenues of Rs. 24.75 lacs and net cash outflows amounting to Rs. 0.40 lacs for the year ended on that date and associates viz. Success Principles India Limited whose financial statements reflect the Group's share of profit upto March 31, 2010 of Rs. 38.91 lacs and Group's share of profit of Rs. 0.99 lacs for the year ended on that date as considered in the consolidated financial statements and in respect of IPM India Wholesale Trading Private Limited, an associate, whose financial statements reflect the Group's share of loss of Rs. 496.00 lacs where the financial statements considered are for the period from April 20, 2009 to December 31, 2009.
These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries and associates are based solely on the reports of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) - 21 (Consolidated Financial Statements) and Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the separate audit reports on the individual financial statements of the Company, and the aforesaid subsidiaries and associates and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2010;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For A. F. FERGUSON & CO.
Chartered Accountants
(Registration No. 112066W)

Manjula Banerji
Partner

(Membership No.086423)

Place: New Delhi
Date : May 29, 2010

CONSOLIDATED BALANCE SHEET

as at March 31, 2010



Rupees in lacs

	Schedule Number		As at 31.3.2010		As at 31.3.2009
SOURCES OF FUNDS					
Shareholders' funds					
Share capital	1	1039.88		1039.88	
Reserves and surplus	2	67103.13	68143.01	58627.66	59667.54
Minority interests			257.40		286.71
Loan funds					
Secured	3		11455.43		9528.71
Deferred tax liabilities (net)	12		221.95		-
TOTAL			80077.79		69482.96
APPLICATION OF FUNDS					
Fixed assets	4				
Gross block		49836.58		41389.66	
Less: Depreciation and amortization		21150.51		18061.44	
Net block		28686.07		23328.22	
Capital work-in-progress and advances on capital account		7351.03	36037.10	6270.83	29599.05
Investments	5		19482.50		21554.41
Deferred tax assets (net)	12		-		125.03
Current assets, loans and advances					
Inventories	6	36535.89		36861.96	
Sundry debtors	7	4929.03		3035.32	
Cash and bank balances	8	3630.37		1890.57	
Loans and advances	9	8058.22		7769.75	
		53153.51		49557.60	
Less:					
Current liabilities and provisions					
Current liabilities	10	21460.37		24203.50	
Provisions	11	7134.95		7152.22	
		28595.32		31355.72	
Net current assets			24558.19		18201.88
Miscellaneous expenses to the extent not written off or adjusted			-		2.59
TOTAL			80077.79		69482.96
Notes to the consolidated accounts	16				

In terms of our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

For and on behalf of the Board of Directors

Manjula Banerji
Partner

S. SERU
Chief Executive

SAMIR KUMAR MODI
Executive Director

R.A. SHAH
Chairman

K.K. MODI
President

R. RAMAMURTHY
Whole-time Director

C.M. MANIAR
LALIT BHASIN
O.P. VAISH
ANUP N. KOTHARI

Directors

New Delhi : May 29, 2010

R.N. AGARWAL
Chief Financial Officer

SANJAY GUPTA
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended March 31, 2010

Rupees in lacs

	Schedule Number	For the year ended 31.3.2010	For the year ended 31.3.2009
INCOME			
Gross sales		260766.27	226905.15
Less: Excise duty		122378.91	113695.63
Net sales		138387.36	113209.52
Other income	13	6173.06	5222.64
		144560.42	118432.16
EXPENSES			
Raw and packing materials, manufactured and other goods	14	65508.27	46088.22
Manufacturing and other expenses	15	59296.51	50712.67
Depreciation and amortization	4	3756.19	3105.34
Increase/(decrease) in excise duty on finished goods		(992.94)	1940.86
		127568.03	101847.09
Profit before taxation		16992.39	16585.07
Provision for taxation- current tax		4657.66	5366.40
- deferred tax charge / (credit)		346.98	(383.85)
- fringe benefit tax		15.10	779.23
Profit after taxation before share of results of associates and minority interests		11972.65	10823.29
Share of net profit/(loss) of associates		(495.01)	2.34
Profit after taxation before minority interests		11477.64	10825.63
Minority interests		(29.31)	(29.48)
Net profit		11506.95	10855.11
Balance brought forward from previous year		42129.48	35815.89
Available for appropriation		53636.43	46671.00
APPROPRIATIONS			
Proposed dividend		2599.70	2599.70
Corporate dividend tax		431.78	441.82
Transferred to general reserve		1500.00	1500.00
Surplus carried to consolidated balance sheet		49104.95	42129.48
		53636.43	46671.00
Basic and diluted earnings per share (Face value of share - Rs.10 each)		Rs.110.66	Rs.104.39
Notes to the consolidated accounts	16		

In terms of our report attached
For A.F. FERGUSON & CO.,
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For and on behalf of the Board of Directors

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Directors

New Delhi : May 29, 2010

R.N. AGARWAL
Chief Financial Officer

SANJAY GUPTA
Company Secretary



GODFREY PHILLIPS
—INDIA LIMITED—

CONSOLIDATED CASH FLOW STATEMENT

for the year ended March 31, 2010

Rupees in lacs

		For the year ended 31.3.2010		For the year ended 31.3.2009
A. CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit before tax		16992.39		16585.07
Adjustments for:				
Depreciation and amortization		3756.19		3105.34
Interest income from debts, deposits, loans, etc.		(256.09)		(216.11)
Dividends from other long term investments		(170.98)		(202.55)
Interest income from other long term investments		-		(4.32)
Profit on redemption/sale of other long term investments		(2243.27)		(2612.53)
Profit on sale of other current investments		(214.84)		(172.25)
Exchange loss / (gain)		11.01		(0.16)
Exchange (gain) / Loss on foreign currency borrowings		(1119.25)		1594.06
Provision for wealth-tax		17.00		24.00
Interest expense - fixed loans		633.64		434.49
- others		56.98		152.60
Fixed assets written off		144.01		153.71
Loss on sale of fixed assets		100.88		45.56
Provision for decline in the value of other investments (written back) / made		(167.23)		334.44
		548.05		2636.28
Operating profit before working capital changes		17540.44		19221.35
Adjustments for:				
Trade and other receivables		(2673.29)		(1570.67)
Inventories		326.07		(12719.30)
Trade and other payables		(2835.22)		7099.13
		(5182.44)		(7190.84)
Cash generated from operations		12358.00		12030.51
Interest received		239.51		170.31
Dividends received		-		7.91
Purchase of investments*	(20.28)	-	(63.74)	-
Proceeds from sale of investments*	23.00	2.72	0.98	(62.76)
Direct taxes paid		(4243.02)		(6514.28)
		(4000.79)		(6398.82)
Net cash from operating activities		8357.21		5631.69
B. CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of fixed assets		(10582.06)		(14204.24)
Proceeds from sale of fixed assets		142.93		62.57
Purchase of investments	(188769.57)	-	(135027.02)	-
Proceeds from sale of investments	192969.09	4199.52	149584.47	14557.45
Dividends from long term other investments		170.98		197.90
Interest received from other long term investments		-		12.96
Loans/Deposits received back		50.00		655.00
Interest received		6.99		45.41
Net cash used in investing activities		(6011.64)		1327.05
C. CASH FLOWS FROM FINANCING ACTIVITIES				
Term loan availed		5469.60		-
Repayment of long term borrowings		(2068.12)		(1064.61)
Repayment of working capital borrowings		(355.51)		(1338.82)
Interest paid		(605.88)		(577.47)
Dividend paid		(2593.03)		(2596.44)
Corporate dividend tax paid		(441.82)		(441.82)
Net cash used in financing activities		(594.76)		(6019.16)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		1750.81		939.58
Opening cash and cash equivalents				
- Cash and bank balances #		1890.57		950.83
Closing cash and cash equivalents				
- Cash and bank balances #		3630.37		1890.57
- Effect of exchange rate changes on foreign currency bank balance		11.01		(0.16)
		3641.38		1890.41

* By the subsidiary companies engaged in the business of investments.

Includes bank fixed deposits lodged as security with Government Authorities and margin money deposits with banks aggregating to Rs. 1020.94 lacs as at March 31, 2010 (as at March 31, 2009 Rs. 505.41 lacs and as at March 31, 2008 Rs. 207.71 lacs).

In terms of our report attached
For A.F. FERGUSON & CO.,
Chartered Accountants

For and on behalf of the Board of Directors

Manjula Banerji
Partner

S. SERU
Chief Executive

SAMIR KUMAR MODI
Executive Director

R.A. SHAH
Chairman

K.K. MODI
President

R. RAMAMURTHY
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C.M. MANIAR
LALIT BHASIN
O.P. VAISH
ANUP N. KOTHARI

Directors

New Delhi : May 29, 2010

R.N. AGARWAL
Chief Financial Officer

SANJAY GUPTA
Company Secretary

SCHEDULES

1 to 16 annexed to and forming part of the consolidated accounts for the year ended March 31, 2010

Rupees in lacs

	As at 31.3.2010	As at 31.3.2009
SCHEDULE 1 - Share capital		
AUTHORISED		
60,000 Preference shares of Rs. 100 each	60.00	60.00
2,44,00,000 Equity shares of Rs. 10 each	2440.00	2440.00
	<u>2500.00</u>	<u>2500.00</u>
ISSUED, SUBSCRIBED AND PAID UP		
1,03,98,784 Equity shares of Rs.10 each fully paid up	1039.88	1039.88

Of the above equity shares

- 86,82,578 shares were allotted as fully paid up as bonus shares by capitalisation of general reserves Rs.311.57 lacs, share premium account Rs. 36.75 lacs and profits Rs.519.94 lacs.
- 83,490 shares were allotted as fully paid up to the shareholders of D. Macropolo & Company Limited on amalgamation.

SCHEDULE 2-Reserves and surplus

REVALUATION RESERVE				
At commencement of the year		236.16		236.16
CAPITAL REDEMPTION RESERVE				
At commencement of the year		30.13		30.13
GENERAL RESERVE				
At commencement of the year	16231.89		14731.89	
Add: Amount transferred from profit and loss account	<u>1500.00</u>	17731.89	<u>1500.00</u>	16231.89
PROFIT AND LOSS ACCOUNT		<u>49104.95</u>		42129.48
		<u>67103.13</u>		<u>58627.66</u>

SCHEDULE 3 - Loan funds

SECURED			
From banks:			
- Term loans secured by way of an exclusive charge over specific plant and machinery (payable within 12 months Rs.1801.71 lacs; previous year Rs. 2702.59 lacs)		9233.85	6951.63
- Cash credit and working capital demand loan secured against hypothecation of stocks and book debts and second charge on certain immovable properties of the group		<u>2221.58</u>	<u>2577.08</u>
		<u>11455.43</u>	<u>9528.71</u>

SCHEDULE 4 - Fixed assets

Rupees in lacs

	GROSS BLOCK (AT COST)			DEPRECIATION/AMORTIZATION				NET BLOCK		
	As at 31.3.2009	Additions/ Adjustments	Deductions	As at 31.3.2010	As at 31.3.2009	For the year deductions	On deductions	As at 31.3.2010	As at 31.3.2010	As at 31.3.2009
Goodwill	166.69 *	-	-	166.69 *	-	1.20	-	1.20	165.49	166.69
Patents and trade marks	0.51	-	-	0.51	-	0.51	-	0.51	-	0.51
Land (leasehold)	734.52 #	-	-	734.52#	-	-	-	-	734.52	734.52
Land (freehold)	393.43	-	-	393.43	-	-	-	-	393.43	393.43
Buildings	2917.14 **	390.86	2.93	3305.07 **	551.52	83.98	0.10	635.40	2669.67	2365.62
Leasehold Building Improvements	-	564.27	-	564.27	-	18.84	-	18.84	545.43	-
Plant and machinery	31149.71	7234.31	277.48	38106.54	15112.65	3070.26	239.73	17943.18	20163.36	16037.06
Electrical installation and equipments	556.26	32.57	35.01	553.82	134.42	18.32	13.12	139.62	414.20	421.84
Computers and Information technology equipments	1267.00	160.61	109.33	1318.28	746.75	161.38	92.61	815.52	502.76	520.25
Computer software	411.89	-	-	411.89	66.77	66.77	-	133.54	278.35	345.12
Furniture, fixtures and office equipments	1751.74	204.43	236.39	1719.78	738.98	91.66	124.70	705.94	1013.84	1012.76
Motor vehicles	2040.77	914.81	393.80	2561.78	710.35	243.27	196.86	756.76	1805.02	1330.42
Total	41389.66	9501.86	1054.94	49836.58	18061.44	3756.19	667.12	21150.51	28686.07	
Previous year	31721.89	10159.09	491.32	41389.66	15185.58	3105.34	229.48	18061.44		23328.22
Capital work-in-progress and advances on capital account.@									7351.03	6270.83
									36037.10	29599.05

* Includes Rs.165.49 lacs on consolidation.

*** Includes Rs. 0.02 lac (previous year Rs.0.02 lac) being the cost of shares in co-operative societies and Rs.157.97 lacs (previous year Rs.157.97 lacs) towards cost of buildings for which titles are yet to be registered in the name of the Group.

Includes Rs.448.89 lacs (previous year Rs.448.89 lacs) in respect of lands, titles for which are yet to be registered in the name of the Group. Also, includes Rs. 6.69 lacs (previous year Rs.6.69 lacs) in respect of land for which a notice for termination of lease has been received from Government of U.P., which notice has been disputed by the Group in a petition filed before the Allahabad High Court.

@ Includes pre-operative expenses of Rs.147.53 lacs (previous year Rs. 53.00 lacs).

Note:

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances) Rs 9163.55 lacs (previous year Rs. 7639.12 lacs).



	As at 31.3.2010	As at 31.3.2009
SCHEDULE 5 - Investments		
LONG TERM (At cost unless otherwise stated)		
TRADE INVESTMENT - UNQUOTED		
Associate:		
IPM India Wholesale Trading Private Limited 49,60,000 (Previous year Nil) Equity Shares of Rs. 10 each fully paid up	496.00	
Less: Group's share of loss restricted to the original cost of investment	<u>496.00</u>	-
Others:		
Molind Engineering Limited 3,500 Equity Shares of Rs.10 each fully paid up	0.25	0.25
OTHER INVESTMENTS - QUOTED		
Nestle India Limited 93 Equity Shares of Rs.10 each fully paid up	0.07	0.07
Smithkline Beecham Consumer Healthcare Limited 320 Equity Shares of Rs.10 each fully paid up	0.38	0.38
GTC Industries Limited 100 Equity Shares of Rs.10 each fully paid up	0.01	0.01
VST Industries Limited 100 Equity Shares of Rs.10 each fully paid up	0.11	0.11
Hindustan Unilever Limited 290 Equity Shares of Re.1 each fully paid up	0.07	0.07
HDFC Bank Limited 15,000 Equity Shares of Rs.10 each fully paid up	1.50	1.50
Oriental Bank of Commerce 1,000 Equity Shares of Rs.10 each fully paid up	0.60	0.60
Bank of Baroda 1,000 Equity Shares of Rs.10 each fully paid up	2.30	2.30
State Bank of Travancore 14,050 Equity Shares of Rs.10 each fully paid up (Previous year 1405 Shares of Rs. 100 each)	8.43	8.43
Bank of India 1,000 Equity Shares of Rs.10 each fully paid up	1.35	1.35
Corporation Bank 3,687 Equity Shares of Rs.10 each fully paid up	13.58	13.58



	As at 31.3.2010	As at 31.3.2009
SCHEDULE 5 - Investments (continued)		
Punjab Communications Limited 2399 Equity Shares of Rs.10 each fully paid up	6.00	6.00
Narang Industries Limited 40,000 Equity Shares of Rs.10 each fully paid up	4.00	4.00
Circassia Pacific Finance Limited 1,00,000 Equity Shares of Rs.10 each fully paid up	10.00	10.00
Maruti Udyog Limited 950 Equity Shares of Rs.5 each fully paid up	1.19	1.19
Emami Limited 900 Equity Shares of Rs.2 each fully paid up	0.63	0.63
Emami Infrastructure Limited 300 (Previous year Nil) Equity Shares of Rs. 2 each fully paid up (received free of cost)	-	-
NTPC Limited 6,544 Equity Shares of Rs.10 each fully paid up	9.58	9.58
Punjab National Bank 1,376 Equity Shares of Rs.10 each fully paid up	7.13	7.13
Reliance Industries Limited 5,176 (Previous year 2510) Equity Shares of Rs.10 each fully paid up	33.00	32.24
Tata Consultancy Services Limited 3,850 (Previous year 1925) Equity Shares of Re.1 each fully paid up	17.90	17.90
Ashok Leyland Limited 7,500 Equity Shares of Re.1 each fully paid up	2.05	2.05
HT Media Limited 1,000 Equity Shares of Rs.2 each fully paid up	1.06	1.06
Andhra Bank 12,379 Equity Shares of Rs.10 each fully paid up	11.40	11.40
ICICI Bank Limited 2,339 Equity Shares of Rs.10 each fully paid up	18.58	18.58
Zee Entertainment Enterprises Limited 500 Equity Shares of Re.1 each fully paid up	0.82	0.82
Zee News Limited 226 Equity Shares of Re. 1 each fully paid up (received free of cost)	-	-
Suzlon Energy Limited 975 Equity Shares of Rs.2 each fully paid up	0.99	0.99



	As at 31.3.2010	As at 31.3.2009
SCHEDULE 5 - Investments (continued)		
Talbro Automotive Components Limited 1,034 Equity Shares of Rs.10 each fully paid up	1.06	1.06
Infrastructure Development Finance Company Limited 1,500 Equity Shares of Rs.10 each fully paid up	1.80	1.80
Chennai Petroleum Corporation Limited 400 Equity Shares of Rs.10 each fully paid up	0.96	0.96
Dabur India Limited 3,000 Equity Shares of Re.1 each fully paid up	2.11	2.11
SRF Limited 3,200 Equity Shares of Rs.10 each fully paid up	8.31	8.31
State Bank of India 1,000 Equity Shares of Rs.10 each fully paid up	8.76	8.76
Tata Chemicals Limited 1,500 Equity Shares of Rs.10 each fully paid up	3.74	3.74
Union Bank of India 913 Equity Shares of Rs.10 each fully paid up	1.00	1.00
Lanco Infratech Limited 10,000 Equity Shares of Rs.10 each fully paid up	24.00	24.00
Reliance Petroleum Limited Nil (Previous year 1260) Equity Shares of Rs. 10 each fully paid up (merged with Reliance Industries Limited)	-	0.76
Parsvnath Developers Limited 561 Equity Shares of Rs.10 each fully paid up	1.68	1.68
Power Finance Corporation Limited 997 Equity Shares of Rs.10 each fully paid up	0.85	0.85
Idea Cellular Limited 1,637 Equity Shares of Rs.10 each fully paid up	1.68	1.68
Indian Bank Limited 2,096 Equity Shares of Rs.10 each fully paid up	1.91	1.91
Technocraft Industries India Limited 2,350 Equity Shares of Rs.10 each fully paid up	2.47	2.47
Reliance Communication Limited (Formerly Reliance Communication Ventures Limited) 2,010 Equity Shares of Rs.5 each fully paid up	2.75	2.75



	As at 31.3.2010	As at 31.3.2009
SCHEDULE 5 - Investments (continued)		
Reliance Capital Limited 75 Equity Shares of Rs. 10 each fully paid up (received free of cost)	-	-
Reliance Infrastructure Limited (Formerly Reliance Energy Limited) 1,113 Equity Shares of Rs.10 each fully paid up	9.16	9.16
Reliance Natural Resources Limited 1,000 Equity Shares of Rs. 5 each fully paid up	1.01	1.01
Axis Bank 1,000 Equity Shares of Rs.10 each fully paid up	8.27	8.27
Deccan Chronicle Holdings Limited 2,000 Equity Shares of Rs.2 each fully paid up	3.40	3.40
GMR Infrastructure Limited 10,000 Equity Shares of Re.1 each fully paid up (Previous year 5000 Equity Shares of Rs. 2 each)	10.63	10.63
Industrial Development Bank of India 3,500 Equity Shares of Rs.10 each fully paid up	4.70	4.70
Indian Hotels Limited 3,500 Equity Shares of Re.1 each fully paid up	4.73	4.73
ITC Limited 4,500 Equity Shares of Re.1 each fully paid up	7.39	7.39
J.K.Cement Limited 2,000 Equity Shares of Rs.10 each fully paid up	3.47	3.47
Mahanagar Telephone Nigam Limited 1,000 Equity Shares of Rs.10 each fully paid up	1.65	1.65
Mundra Port & Special Economic Zone Limited 48 Equity Shares of Rs.10 each fully paid up	0.21	0.21
Omaxe Limited 210 Equity Shares of Rs.10 each fully paid up	0.65	0.65
Power Grid Corporation of India Limited 16,591 Equity Shares of Rs.10 each fully paid up	18.88	18.88
Steel Authority of India Limited 6,000 Equity Shares of Rs.10 each fully paid up	13.21	13.21
SKF India Limited 1,000 Equity Shares of Rs.10 each fully paid up	4.34	4.34
Tata Motors Limited 1,000 Equity Shares of Rs.10 each fully paid up	6.96	6.96



Rupees in lacs

	As at 31.3.2010	As at 31.3.2009
SCHEDULE 5 - Investments (continued)		
Tata Power Limited 1,000 Equity Shares of Rs.10 each fully paid up	11.52	11.52
Vishal Retail Limited 25 Equity Shares of Rs.10 each fully paid up	0.07	0.07
Wire and Wireless (India) Limited 250 Equity Shares of Rs.10 each fully paid up (received free of cost)	-	-
Central Bank of India 374 Equity Shares of Rs.10 each fully paid up	0.38	0.38
Fortis Healthcare Limited 51,176 Equity Shares of Rs.10 each fully paid up	55.27	55.27
Reliance Power Limited 56 (Previous year 35) Equity Shares of Rs.10 each fully paid up	0.16	0.16
Bharat Earth Movers Limited 166 Equity Shares of Rs.10 each fully paid up	1.78	1.78
Cipla Limited 1,000 Equity Shares of Rs.10 each fully paid up	2.14	2.14
ICRA Limited 1,000 Equity Shares of Rs.10 each fully paid up	9.68	9.68
Infosys Technologies Limited 500 Equity Shares of Rs.10 each fully paid up	6.56	6.56
Kotak Bank Limited 1,000 Equity Shares of Rs.10 each fully paid up	7.99	7.99
Oil India Limited 210 (Previous year Nil) Equity Shares of Rs. 10 each fully paid up	2.21	-
OTHER INVESTMENTS - UNQUOTED		
Associate: Success Principles India Limited 1,99,673 Equity Shares of Rs. 10 each fully paid up		
Cost of acquisition (net of capital reserve of Rs.1.67 lacs)	19.97	19.97
Add: Group's share of profit upto year end	<u>38.91</u>	<u>37.92</u>
	58.88	57.89
Others:		
Investment under Portfolio Management Service #:		
A) Reliance Portfolio Management Scheme- Trinity Series (Managed by Reliance Capital Asset Management Limited)		
Mphasis Limited Nil (Previous year 75) Equity Shares of Rs.10 each fully paid up	-	0.13



	As at 31.3.2010	As at 31.3.2009
SCHEDULE 5 - Investments (continued)		
Bharti Airtel Limited Nil (Previous year 70) Equity Shares of Rs.5 each fully paid up	-	0.39
HDFC Bank Limited 66 Equity Shares of Rs.10 each fully paid up	0.59	0.59
Housing Development Finance Corporation 90 Equity Shares of Rs.10 each fully paid up	1.67	1.67
Hindustan Petroleum Corporation Limited 418 (Previous year 382) Equity Shares of Rs.10 each fully paid up	1.10	1.01
ITC Limited 569 (Previous year 386) Equity Shares of Re.1 each fully paid up	1.00	0.66
KEC International Limited 260 Equity Shares of Rs.10 each fully paid up	1.99	1.99
Mcleod Russel India Limited Nil (Previous year 881) Equity Shares of Rs.5 each fully paid up	-	0.76
ONGC Corporation Limited 107 (Previous year 217) Equity Shares of Rs.10 each fully paid up	0.71	1.44
Rural Electrification Corporation Limited 683 Equity Shares of Rs.10 each fully paid up	0.46	0.46
Reliance Industries Limited 158 (Previous year 143) Equity Shares of Rs.10 each fully paid up	0.17	2.35
United Phosphorous Limited Nil (Previous year 355) Equity Shares of Rs.2 each fully paid up	-	0.33
Sai Rayalaseema Paper Mills Limited 15,895 Equity Shares of Rs.10 each fully paid up	1.93	1.93
Reliance Mutual Fund 9,832 (Previous year 50,578) Units of Reliance Liquid Fund Institutional Weekly Dividend of Rs. 10 each	1.51	7.75
Ipca Laboratories Limited 895 (Previous year Nil) Equity Shares of Rs.2 each fully paid up	1.61	-
Zensar Technologies Limited 502 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	1.42	-
HEG Limited 367 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	1.38	-
Tata Consultancy Services Limited 141 (Previous year Nil) Equity Shares of Re.1 each fully paid up	0.85	-



	As at 31.3.2010	As at 31.3.2009
SCHEDULE 5 - Investments (continued)		
Indoco Remedies Limited 255 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	1.02	-
Bharti Tele Venture Limited 311 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	0.91	-
Infosys Technologies Limited 37 (Previous year Nil) Equity Shares of Rs.5 each fully paid up	0.83	-
Indian Oil Corporation Limited 308 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	0.65	-
Jagran Prakashan Limited 674 (Previous year Nil) Equity Shares of Rs.2 each fully paid up	0.71	-
Financial Technologies India Limited 50 (Previous year Nil) Equity Shares of Rs.2 each fully paid up	0.70	-
Bank of Baroda 115 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	0.59	-
Oil India Limited 61 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	0.73	-
Aditya Birla Nuvo Limited 66 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	0.63	-
United Phosphorous Limited 372 (Previous year Nil) Equity Shares of Rs.2 each fully paid up	0.36	-
Balrampur Chini Mills Limited 576 (Previous year Nil) Equity Shares of Re.1 each fully paid up	0.71	-
Amara Raja Batteries Limited 206 (Previous year Nil) Equity Shares of Rs.2 each fully paid up	0.31	-
Fulford India Limited 27 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	0.19	-
Balance with portfolio management scheme	(0.77)	1.12
B) Kotak 2010 Opportunities Portfolio Management Scheme (Managed by Kotak Securities Limited)		
Bharti Airtel Limited 862 (Previous year 108) Equity Shares of Rs.5 each fully paid up	3.63	0.60
Cairn India Limited Nil (Previous year 1,076) Equity Shares of Rs.10 each fully paid up	-	1.69



	As at 31.3.2010	As at 31.3.2009
SCHEDULE 5 - Investments (continued)		
Cholamandalam DBS Finance Limited 2,113 (Previous year 2,574) Equity Shares of Rs.10 each fully paid up	2.93	3.65
GMR Infrastructure Limited Nil (Previous year 20) Equity Shares of Re.1 each fully paid up	-	0.01
HDFC Bank Nil (Previous year 74) Equity Shares of Rs.10 each fully paid up	-	0.59
ICICI Bank Limited Nil (Previous year 549) Equity Shares of Rs.10 each fully paid up	-	1.50
Infrastructure Development Finance Company Limited Nil (Previous year 2,650) Equity Shares of Rs.10 each fully paid up	-	1.35
IRB Infrastructure Developers Limited 1,847 (Previous year 2,772) Equity Shares of Rs.10 each fully paid up	2.19	4.02
MIC Electronics Limited Nil (Previous year 1,626) Equity Shares of Rs.2 each fully paid up	-	1.26
Network 18 Media & Investments Limited 2,686 (Previous year 2,136) Equity Shares of Rs. 5 each fully paid up	6.95	6.38
OnMobile Global Limited 483 (Previous year 520) Equity Shares of Rs. 10 each fully paid up	2.56	2.74
Power Grid Corporation of India Limited Nil (Previous year 170) Equity Shares of Rs. 10 each fully paid up	-	0.09
Punj Lloyd Limited Nil (Previous year 1,845) Equity Shares of Rs.2 each fully paid up	-	1.90
Simplex Infrastructures Limited Nil (Previous year 646) Equity Shares of Rs.2 each fully paid up	-	4.33
Suven Life Sciences Limited 5,866 (Previous year 8,304) Equity Shares of Re.1 each fully paid up	2.34	3.34
United Breweries Limited 323 Equity Shares of Rs. 10 each fully paid up	0.80	0.80
Kotak Mutual Fund 59,346 (Previous year 149,795) Units of Kotak Floater Long Term Growth of Rs. 10 each	8.59	20.65
Nagarjuna Fertilizers & Chemicals Limited 8,082 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	2.68	-
Motherson Sumi Systems Limited 1,935 (Previous year Nil) Equity Shares of Re.1 each fully paid up	1.55	-



	As at 31.3.2010	As at 31.3.2009
SCHEDULE 5 - Investments (continued)		
Escorts India Limited 1,112 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	0.86	-
Max India Limited 1,330 (Previous year Nil) Equity Shares of Rs.2 each fully paid up	2.55	-
Federal Bank Limited 984 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	2.66	-
DCW Limited 10,383 (Previous year Nil) Equity Shares of Rs.2 each fully paid up	2.05	-
Areva T&D India Limited 840 (Previous year Nil) Equity Shares of Rs.2 each fully paid up	2.54	-
Greaves Cotton Limited 196 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	0.40	-
Solar Industries India Limited 295 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	1.18	-
Hindustan Oil Exploration Company Limited 1,294 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	3.65	-
Bilcare Limited 599 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	2.63	-
National Thermal Power Corporation 455 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	0.97	-
Harrisons Malayalam Limited 1,719 (Previous year Nil) Equity Shares of Rs.10 each fully paid up	1.90	-
Kotak Mahindra Bank	0.02	(0.03)
# Investments have been made under the portfolio management agreement entered into between the Group and Portfolio Management schemes and are being held in the name of the Portfolio Manager as envisaged in the aforesaid agreement		
Others :		
Modi Entertainers Networks Private Limited 1,000 Equity Shares of Rs.10 each fully paid up	0.10	0.10
Indo Euro Investment Company Private Limited 36,750 Equity Shares of Rs.100 each fully paid up	36.78	36.78
Modicare Limited 7,20,000 Equity Shares of Rs.10 each fully paid up	72.00	72.00



	As at 31.3.2010	As at 31.3.2009
SCHEDULE 5 - Investments (continued)		
Franklin Templeton Mutual Fund		
Nil (Previous year 35,90,487) Units of Franklin Templeton Capital Safety Fund -3 Years Plan - Growth of Rs.10 each	-	359.05
19,55,990 Units of Franklin Asian Equity Fund - Growth Plan of Rs.10 each	200.00	200.00
Nil (Previous year 50,00,000) Units of Templeton Fixed Horizon Fund Series VII - Plan A - Institutional - Growth of Rs.10 each	-	500.00
Nil (Previous year 43,25,718) Units of Templeton Fixed Horizon Fund Series IX-Plan A-Growth of Rs.10 each	-	432.57
93,80,234 (Previous year Nil) Units of Templeton India Income Opportunities Fund - Growth of Rs.10 each	939.88	-
27,534 (Previous year Nil) Units of Templeton India Short Term Income - Retail Plan - Growth of Rs.1000 each	477.95	-
SBI Mutual Fund		
10,00,000 Units of SBI - Infrastructure Fund - I - Growth of Rs.10 each	100.00	100.00
Nil (Previous year 1,00,00,000) Units of SBI - Debt Fund Series - 13 Months -7- (18-Mar-08) - Institutional - Growth of Rs.10 each	-	1000.00
ICICI Prudential Mutual Fund		
Nil (Previous year 1,00,00,000) Units of ICICI Prudential FMP Series 41-19 Months Plan - Institutional - I - Cumulative of Rs.10 each	-	1000.00
Nil (Previous year 90,00,000) Units of ICICI Prudential FMP Series 41-Fifteen Months Plan Institutional Growth of Rs.10 each	-	900.00
3,18,231 (Previous year 38,59,189) Units of ICICI Prudential Institutional Liquid Plan- Super Institutional Growth of Rs.100 each (Previous year Rs.10 each)	368.45	446.23
1,62,30,764 (Previous year Nil) Units of ICICI Prudential Institutional Short Term Plan- Cumulative Option of Rs.10 each	3010.44	-
Birla Mutual Fund		
24,92,990 Units of Birla Income Plus Plan B - Growth of Rs.10 each	616.37	616.37
19,51,219 Units of BSL International Equity - Plan B - Growth of Rs.10 each	200.00	200.00
Nil (Previous year 50,00,000) Units of Birla FTP - Institutional - Series AK - Growth of Rs. 10 each	-	500.00
1,27,612 (Previous year 1,48,843) Units of Birla Cash Plus Institutional Plan-Growth of Rs.10 each	30.44	35.00
1,71,07,721 (Previous year Nil) Units of Birla Sun Life Dynamic Bond Fund -Retail Growth of Rs.10 each	2500.00	-
Kotak Mahindra Mutual Fund		
Nil (Previous year 10,00,000) Units of Kotak Wealth Builder Series 1 - Growth of Rs.10 each	-	100.00
Nil (Previous year 20,00,000) Units of Kotak Flexi Fund of Funds - Series II (Dividend) of Rs.10 each	-	200.00
DSP BlackRock Mutual Fund (Formerly DSP Merrill Lynch Mutual Fund)		
Nil (Previous year 1,00,00,000) Units of DSP BlackRock FMP-13M Series 1- Institutional Growth of Rs. 10 each	-	1000.00



	As at 31.3.2010	As at 31.3.2009
SCHEDULE 5 - Investments (continued)		
IDFC Mutual Fund		
50,00,000 Units of IDFC Enterprise Equity Fund - Growth of Rs.10 each	500.00	500.00
Nil (Previous year 50,00,000) Units of IDFC Fixed Maturity Plan - Yearly Series 17 - Plan B - Growth of Rs.10 each	-	500.00
Nil (Previous year 1,50,47,758) Units of IDFC Fixed Maturity Plan - Yearly Series 24 - Plan B - Growth of Rs.10 each	-	1504.78
HDFC Mutual Fund		
Nil (Previous year 1,50,00,000) Units of HDFC FMP 18M September 2007 (VI) - Wholesale Plan Growth of Rs.10 each	-	1500.00
22,33,025 Units of HDFC Arbitrage Fund - Wholesale Plan - Quarterly Dividend of Rs. 10 each	223.30	223.30
Nil (Previous year 1,00,00,000) Units of HDFC FMP 18M January 2008 (VII) - Wholesale Plan Growth of Rs.10 each	-	1000.00
54,89,729 (Previous year Nil) Units of HDFC Income Fund - Growth of Rs. 10 each	1144.12	-
1,01,79,938 (Previous year Nil) Units of HDFC Short Term Plan- Growth of Rs. 10 each	1719.59	-
1,50,667 Units of HDFC Cash Management Fund - Treasury Advantage Plan Retail-Growth of Rs. 10 each	28.75	28.75
HSBC Mutual Fund		
Nil (Previous year 50,00,000) Units of HSBC Fixed Term Series - 44 Institutional Growth of Rs.10 each	-	500.00
Principal Mutual Fund		
38,42,983 Units of Principal Income Fund -Growth Plan of Rs.10 each	400.20	400.20
UTI Mutual Fund		
Nil (Previous year 1,00,00,000) Units of UTI Fixed Term Income Fund IV - III(08-14 Months) Institutional Plan of Rs.10 each	-	1000.00
Reliance Mutual Fund		
Nil (Previous year 50,00,000) Units of Reliance Fixed Horizon Fund IV- Series 7- Institutional Growth Plan of Rs.10 each	-	500.00
Nil (Previous year 2,50,00,000) Units of Reliance Fixed Horizon Fund - IV Series - 5 - Institutional Growth Plan of Rs.10 each	-	2500.00
20,000 Units of Reliance Equity Opportunity Fund -Growth of Rs.10 each	2.00	2.00
97,800 Units of Reliance Equity Advantage Fund - Retail Plan - Growth of Rs. 10 each	10.00	10.00
2,07,96,991 (Previous year Nil) Units of Reliance Short Term Fund - Retail Plan - Growth of Rs. 10 each	3441.76	-



	As at 31.3.2010	As at 31.3.2009
SCHEDULE 5 - Investments (continued)		
TATA Mutual Fund		
50,00,000 Units of TATA Indo - Global Infrastructure Fund - Growth of Rs.10 each	500.00	500.00
Nil (Previous year 1,00,00,000) Units of TATA Fixed Investment Plan - 1 Scheme A - Institutional Plan - Growth of Rs. 10 each	-	1000.00
ING Mutual Fund		
16,67,838 Units of ING Short Term Income Fund - Growth of Rs.10 each	219.25	219.25
20,00,000 Units of ING Global Real Estate Fund - Retail Growth of Rs.10 each	200.00	200.00
Nil (Previous year 50,00,000) Units of ING Long Term FMP - 1 Institutional Growth of Rs.10 each	-	500.00
AIG Mutual Fund		
9,77,995 Units of AIG India Equity Fund Regular Growth of Rs.10 each	100.00	100.00
9,77,995 Units of AIG Infrastructure and Economic Reform Fund Regular Growth of Rs.10 each	100.00	100.00
DWS Mutual Fund		
Nil (Previous year 20,00,000) Units of DWS Fixed Term Fund Series 41- Institutional Growth of Rs.10 each	-	200.00
Religare Mutual Fund		
Nil (Previous year 20,00,000) Units of Religare FMP -14 Months - Series II - Institutional Growth of Rs.10 each	-	200.00
Fortis Mutual Fund		
Nil (Previous year 50,00,000) Units of Fortis FTP Series 10 Plan Fund Institutional - Growth of Rs.10 each	-	500.00
Baroda Pioneer Mutual Fund		
50,00,000 (Previous year Nil) Units of Baroda Pioneer PSU Bond Fund - Growth of Rs. 10 each	500.00	-
Government Securities (lodged as security with Government Authorities)	0.36	0.36



	As at 31.3.2010	As at 31.3.2009
SCHEDULE 5 - Investments (continued)		
CURRENT INVESTMENTS (At lower of cost or fair value)		
OTHER INVESTMENTS - UNQUOTED		
Kotak Mahindra Mutual Fund		
1,32,52,295 (Previous year Nil) Units of Kotak Flexi Debt Scheme		
Institutional - Growth of Rs. 10 each	1500.53	-
	19693.22	21932.35
Less: Provision for diminution in the value of other long term investments	210.72	377.94
	19482.50	21554.41
Aggregate amount of quoted investments	471.76	446.05
Aggregate amount of unquoted investments		
- Units of Mutual Funds	18878.37	20976.98
- Others	132.37	131.38
	19010.74	21108.36
Market value of quoted investments	1022.09	480.24
Net asset value/repurchase price of units of Mutual Funds	20503.14	23099.02



GODFREY PHILLIPS
—INDIA LIMITED—

Rupees in lacs

	As at 31.3.2010	As at 31.3.2009
SCHEDULE 6 - Inventories		
At cost or under:		
Stores and spare parts	1375.69	1069.63
At lower of cost and net realisable value:		
Raw and packing materials	24114.82	24710.63
Work-in-process	319.37	271.49
Finished goods - Cigarettes	7273.22	8008.84
- Cigars	-	299.34
- Chewing products	24.26	-
Other goods	3022.84	2096.34
Real estate*	405.69	405.69
	36535.89	36861.96
 *Includes land at revalued cost.		
SCHEDULE 7 - Sundry debtors		
CONSIDERED GOOD		
Over six months - unsecured	217.90	38.47
Others - secured	32.54	34.54
- unsecured	4678.59	2962.31
CONSIDERED DOUBTFUL		
Over six months - unsecured	53.89	67.84
	4982.92	3103.16
Less: Provision for doubtful debts	53.89	67.84
	4929.03	3035.32
SCHEDULE 8 - Cash and bank balances		
Cash on hand	38.26	37.08
Cheques on hand	125.29	214.79
With scheduled banks : On current accounts	2445.13	1133.29
: On margin money accounts	988.54	457.24
: On fixed deposit accounts**	33.15	48.17
	3630.37	1890.57

** Includes Rs. 32.40 lacs (previous year Rs. 48.17 lacs) being lodged as security with Government Authorities.



Rupees in lacs

	As at 31.3.2010	As at 31.3.2009
SCHEDULE 9 - Loans and advances		
Unsecured, considered good, unless otherwise stated:		
Advances recoverable in cash or in kind or for value to be received*	6778.40	5651.22
Inter corporate deposits	50.00	100.00
With excise and customs on current/cenvat accounts	488.79	824.22
Income-tax recoverable	741.03	1194.31
	8058.22	7769.75

*Includes:

- Rs.8.08 lacs (previous year Rs.11.07 lacs) due from officer/directors of the Group. Maximum amount due during the year Rs.11.07 lacs (previous year Rs.11.07 lacs).
- Rs.0.42 (previous year Rs.Nil) due from Indofil Organic Industries Limited, a company under the same management. Maximum amount due during the year Rs.0.42 lac (previous year Rs.0.37 lac).

SCHEDULE 10 - Current liabilities		
Sundry creditors #		
Dues of micro and small enterprises	118.13	84.53
Dues of other than micro and small enterprises	21163.61	24025.08
Interest accrued but not due on loans and deposits	178.63	93.89
	21460.37	24203.50

Sundry creditors do not include any amounts outstanding as on March 31, 2010 which are required to be credited to the Investor Education and Protection Fund.

SCHEDULE 11 - Provisions		
Proposed dividend	2599.70	2599.70
Corporate dividend tax	431.78	441.82
Taxation (net of payments)	786.66	793.20
Provision for compensated absences	3003.54	2678.38
Provision for gratuity	313.27	639.12
	7134.95	7152.22

SCHEDULE 12 - Deferred taxation		
<u>Deferred tax liabilities</u>		
- Accelerated depreciation	1853.19	1633.86
- Capital gains	44.27	45.31
- Others	39.11	-
	1936.57	1679.17
<u>Deferred tax assets</u>		
- Accrued expenses deductible on payment	1672.15	1352.13
- Others	42.47	452.07
	1714.62	1804.20
Deferred tax (assets)/liabilities - net	221.95	(125.03)



GODFREY PHILLIPS
—INDIA LIMITED—

Rupees in lacs

	For the year ended 31.3.2010	For the year ended 31.3.2009
SCHEDULE 13 - Other income		
Rent and hire charges (gross)	122.21	105.15
Interest (gross) from debts, deposits, loans, etc.	256.09	216.11
Income (gross) from other long term investments:		
- Dividends	170.98	202.55
- Interest	-	4.32
Profit on redemption/sale of other long term investments	2243.27	2612.53
Profit on sale of other current investments	214.84	172.25
Liabilities no longer required, written back	1.06	110.78
Provision for diminution in the value of investments written back	167.23	-
Doubtful debts and advances written back	0.20	-
Export incentives	934.31	715.46
Sundries	2062.87	1083.49
	6173.06	5222.64
Tax deducted at source:		
Interest income	14.92	9.81
Rent and hire charges	22.17	25.13
Sundries	6.71	1.81

SCHEDULE 14 - Raw and packing materials, manufactured and other goods				
Raw and packing materials consumed		35648.45		27333.65
Purchases for resale (including transferred from raw and packing materials)		29823.50		22664.28
(Increase)/decrease in work-in-process, finished goods and other goods				
Opening stock:				
- Work-in-process	271.49		188.49	
- Cigarettes	8008.84		5314.38	
- Cigars	299.34		338.10	
- Other goods	2096.34		925.33	
- Real estate	405.69		405.69	
	11081.70		7171.99	
Closing stock:				
- Work-in-process	319.37		271.49	
- Cigarettes	7273.22		8008.84	
- Cigars	-		299.34	
- Chewing products	24.26		-	
- Other goods	3022.84		2096.34	
- Real estate	405.69		405.69	
	11045.38		11081.70	(3909.71)
		36.32		
		65508.27		46088.22



Rupees in lacs

	For the year ended 31.3.2010	For the year ended 31.3.2009
SCHEDULE 15 - Manufacturing and other expenses *		
Salaries, wages and bonus	9739.66	8549.14
Contribution to provident and other funds (including administrative charges)	703.14	574.68
Workmen and staff welfare expenses	897.30	776.66
Contribution to gratuity and superannuation fund	569.53	852.37
Consumption of stores and spare parts	70.59	47.61
Power and fuel	1417.13	1290.02
Repairs and maintenance - Buildings	186.31	246.97
- Machinery	1017.89	608.40
- Others	385.90	308.98
Rent	1269.67	1115.75
Rates and taxes	3016.66	2850.62
Insurance	378.82	340.40
Freight and cartage	1690.95	1494.21
Legal and professional expenses	4193.83	3374.53
Auditors' remuneration	98.80	100.87
Interest - Fixed loans	633.64	434.49
- Others	56.98	152.60
Cash discounts	127.57	102.15
Commission paid to other than sole selling agents	189.07	347.53
Advertising and sales promotion	19785.11	14613.41
Selling and distribution expenses	3153.23	2104.90
Travelling and conveyance	2480.16	2232.60
Donations	162.01	153.08
Bad debts and advances written off	59.25	1.38
Fixed assets written off	144.01	153.71
Loss on sale of fixed assets	100.88	45.56
Technical services fee and royalty	883.71	834.94
Provision for diminution in the value of other long term investments	-	334.44
Preliminary expenses written off	2.57	0.36
Miscellaneous expenses	5882.14	6670.31
	59296.51	50712.67
(a) Consumption of stores and spare parts has been computed after deducting the amount of spare parts charged to repairs and maintenance - machinery	818.54	517.99
(b) Insurance has been computed after deducting the amount for transit insurance charged to raw and packing materials, stores, etc.	-	13.56
* Excludes pre-operative expenses charged to capital accounts as per details below :		
(i) Salaries, wages and bonus	55.95	10.98
(ii) Contribution to provident and other funds	3.49	0.73
(iii) Workmen and staff welfare expenses	4.91	0.54
(iv) Consumption of stores and spare parts	6.59	0.02
(v) Power and fuel	15.73	4.26
(vi) Repairs and maintenance - others	7.88	0.04
(vii) Rent	0.18	-
(viii) Rates and taxes	7.84	4.82
(ix) Legal and professional expenses	24.83	8.09
(x) Travelling and conveyance	20.85	5.83
(xi) Miscellaneous expenses	40.68	17.71



SCHEDULE 16 – Notes to the consolidated accounts

1. BASIS OF CONSOLIDATION

The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21)-“Consolidated Financial Statements” and Accounting Standard 23 (AS 23) – “Accounting for Investments in Associates in Consolidated Financial Statements” notified under Rule 3 of the Companies (Accounting Standards) Rules , 2006.

a) Principles of consolidation

The consolidated financial statements relate to Godfrey Phillips India Limited (‘the Company’) and its subsidiary companies. The consolidated financial statements have been prepared on the following basis:

- The financial statements of the Company and its subsidiary companies have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.
- The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company’s separate financial statements.
- The excess of cost to the Company of its investment in a subsidiary company over the Company’s portion of the equity of the subsidiary at the date on which investment in subsidiary is made is recognized in the financial statements as goodwill.

b) The subsidiaries (which along with Godfrey Phillips India Limited, the Parent, constitute the Group) considered in the preparation of these consolidated financial statements are:

Name	Country of incorporation	Percentage of voting power as at	
		March 31, 2010	March 31, 2009
International Tobacco Company Limited	India	100.00	100.00
Chase Investments Limited	India	100.00	100.00
City Leasing and Finance Company Limited	India	100.00	100.00
Manhattan Credits and Finance Limited	India	100.00	100.00
Kashyap Metal and Allied Industries Limited	India	66.23 *	66.23 *
Unique Space Developers Limited	India	66.67 *	66.67 *
Gopal Krishna Infrastructure & Real Estate Limited	India	66.67 **	66.67 **
Rajputana Infrastructure Corporate Limited	India	66.23 ***	66.23 ***
* Held through other subsidiaries			
** 100% Subsidiary of Unique Space Developers Limited			
*** 100% Subsidiary of Kashyap Metal and Allied Industries Limited			
c) The Group’s associates are:			
Success Principles India Limited	India	48.89	48.89
IPM India Wholesale Trading Private Limited #	India	24.80	-
# Associate from the current year			

SCHEDULE 16 – Notes to the consolidated accounts (contd.)

In respect of IPM India Wholesale Trading Private Limited, the financial statements for the period from April 20, 2009 to December 31, 2009 have been considered for the purpose of consolidation.

These Consolidated Financial Statements are based, in so far as they relate to amounts included in respect of subsidiaries and associates, on the audited financial statements prepared for consolidation in accordance with the requirements of AS 21 and AS 23 by each of the aforesaid entities.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

i) Fixed assets and depreciation

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation and include interest on loans attributable to the acquisition qualifying of assets upto the date of their commissioning.

No amortization is done in respect of leasehold land in view of the lease being perpetual.

Depreciation in the accounts is charged on the straight line method at the rates prescribed under the Companies Act, 1956 and is calculated on a full year basis on additions during the year and no depreciation is provided on assets deleted during the year. Extra shift depreciation is computed in full and not prorated to the number of days of shift working. Assets, other than items costing upto Rs. 5000 each, are depreciated upto 95% of their value and 5% residual value is retained in the books.

The depreciation rates which are different from the principal rates specified in Schedule XIV of the Companies Act, 1956 are as follows:-

Items of machinery and equipment upto Rs. 5,000 each acquired upto December 16, 1993	95%
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Assets, other than data processing equipment, acquired upto December 31, 1987 and data processing equipment acquired upto December 31, 1986	SLM equivalent of rates applicable under the Income-tax Rules, 1962 at the time of acquisition of such assets.
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ii) Investments

Long term investments, other than in associates, are stated at cost. Provision is made for permanent diminution in the value of long term investments, where applicable. Investment in the associate is accounted for using the equity method. Current investments are stated at cost or fair value, whichever is lower.

iii) Inventories

Inventories are valued at cost or net realisable value, whichever is lower except stores and spare parts which are valued at cost or under. Cost of real estate is determined taking into account revalued cost of land and construction cost incurred thereon. The cost of raw materials, stores and spares and other goods is determined on moving weighted average cost basis. The cost of finished goods and work-in-process is determined on standard absorption cost basis which approximates actual costs. Absorption cost comprises raw materials cost, direct wages, appropriate share of production overheads and applicable excise duty paid/payable thereon.

iv) Revenue recognition

Sale of goods is recognised at the point of despatch of goods to customers. Sales are inclusive of excise duty, where applicable but are exclusive of sales tax. Income from investments is recognised on an accrual basis.

v) Employee benefits

The Group has various schemes of employee benefits such as provident fund, superannuation fund and gratuity fund, duly recognised by the Income-tax authorities. The funds are administered through



SCHEDULE 16 – Notes to the consolidated accounts (contd.)

trustees and the contributions are charged against the revenue every year. Accrued liability for gratuity and compensated absences on retirement are determined on the basis of actuarial valuation at the end of the financial year.

vi) Income-tax

Provision for income-tax is based on the assessable profits computed in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognised on unabsorbed depreciation and carry forward of losses based on virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

vii) Proposed dividends

Dividends proposed by the directors as appropriation of profits are provided for in the books of account, pending approval of shareholders at the annual general meeting.

viii) Research and development expenditure

Research and development expenditure is charged to revenue under the natural heads of account in the year in which it is incurred.

ix) Foreign currency transactions

Transactions in foreign currency are recorded at the exchange rates prevailing at the time of transactions. Gains/losses on settlement of the transactions are taken to the profit and loss account. The monetary items are translated at the year end rates and the gains/losses are taken to the profit and loss account.

The difference between the forward rate and the exchange rate at the date of the forward contract transaction is recognised as income or expense over the life of the contract in the profit and loss account. The exchange difference on such contracts i.e. difference between the exchange rate at the reporting /settlement date and the exchange rate on the date of inception of the contract/the last reporting date, is recognised as income or expense for the period.

x) Investment subsidiaries

Income recognition, assets classification and provisioning are done in accordance with the prudential norms/guidelines issued by the Reserve Bank of India from time to time for Non-Banking Financial Companies.

Rupees in lacs

For the year ended	For the year ended
31.03.2010	31.03.2009

3. REMUNERATION OF DIRECTORS

Included in Schedule 15 are:

Salaries*	186.55	126.18
Monetary value of benefits	43.22	43.05
Commission	115.27	90.00
Sitting fees	9.88	11.46
Total	354.92	270.69

* excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.

SCHEDULE 16 – Notes to the consolidated accounts (contd.)

	Rupees in lacs	
	For the year ended 31.03.2010	For the year ended 31.03.2009
4. EXPENDITURE ON SCIENTIFIC RESEARCH AND DEVELOPMENT		
Revenue expenditure	789.53	710.92
Capital expenditure	265.36	383.44
5. AUDITORS' REMUNERATION*		
As auditors		
Audit fee	45.83	45.13
Out of pocket expenses	5.19	4.37
In other capacity		
For limited review of unaudited financial results	30.00	29.50
For corporate governance, consolidated financial statements and other certification work	4.50	4.00
For tax audit	12.73	12.73
For miscellaneous certificates	0.55	5.14
	98.80 **	100.87 **

* Net of service tax where cenvat credit is available

** Including Rs.0.86 lacs (Previous year Rs.0.86 lacs) paid to other auditors of subsidiary companies.

6. CONTINGENT LIABILITIES NOT PROVIDED FOR

a) Demands from excise, sales tax, income tax and other authorities disputed by the Group	451.59	276.77
b) Claims against the Group not acknowledged as debts	1.37	1.37

7. The Group has received various show cause notices from Excise Authorities asking them to explain why certain amounts mentioned in these notices should not be paid. As these notices are in the nature of explanations required, the Group does not consider these to constitute a liability of any kind.

8. The Group has entered into various operating lease agreements for premises (residential, offices, godowns, etc.). These lease arrangements are mostly cancellable in nature and range between two to three years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate rentals paid under such agreements have been charged as rent in Schedule 15.

The future minimum lease payments in respect of non-cancellable periods of certain operating leases are as under:

- (i) for periods not later than one year – Rs. 122.86 lacs (previous year – Rs.60.00 lacs)
- (ii) for periods between later than one year and less than five years – Rs.281.26 lacs (previous year – Rs.213.00 lacs)

The Group has let out and sub-let part of its owned and rented office premises under lease arrangements which are cancellable in nature but renewable on mutually agreeable terms. The rent and hire charges in respect thereof have been accrued as income in Schedule 13.

9. Exchange gain included in the profit and loss account for the year is Rs.1209.18 lacs (previous year-loss Rs.2783.60 lacs).



SCHEDULE 16 – Notes to the consolidated accounts (contd.)

	For the year ended 31.03.2010	For the year ended 31.03.2009
10. Earnings per share has been computed as under:		
a) Net profit as per consolidated profit and loss account (Rs. lacs)	11506.95	10855.11
b) Weighted average number of equity shares outstanding	1,03,98,784	1,03,98,784
c) Basic and diluted earnings per share (Rupees) (face value of share-Rs.10 each)	110.66	104.39
11. Related party disclosures under Accounting Standard 18		
(A) Names of related parties and nature of related party relationships:		
(a) Associates:		
Philip Morris International Finance Corporation, of which Godfrey Phillips India Limited is an associate.		
IPM India Wholesale Trading Private Limited, an associate of the Company.		
(b) Key management personnel:		
Mr. K.K.Modi	President and Managing Director	
Mr. Lalit Kumar Modi	Executive Director	
Mr. Samir Kumar Modi	Executive Director	
Mr. S.V.Shanbhag	Whole-time Director (upto July 31, 2009)	
Mr. R.Ramamurthy	Whole-time Director (from August 14, 2009)	
(c) Enterprises over which key management personnel and their relatives are able to exercise significant influence:		
Modi Entertainment Limited		
Modicare Limited		
Modern Homecare Products Limited		
K.K.Modi Investment & Financial Services Private Limited		
Beacon Travels Private Limited		
Indofil Organic Industries Limited		
Assam Cigarette Company Private Limited		
R C Tobacco Private Limited		
HMA Udyog Private Limited		
Kaushambi Industries Private Limited		
Bina Fashion N Food Private Limited		
Modicare Foundation		
Priyal Hitay Nidhi		
Colorbar Cosmetics Private Limited		
Gujarmal Modi Science Foundation		
Ananda Embroidery Industries Private Limited		
Doruka Designs Private Limited		
Modi Healthcare Placement India Private Limited		



(B) Disclosure of transactions between the Group and related parties and the status of outstanding balances as at the year end:

Rupees in lacs

Nature of transactions	Associate		Key management personnel		Enterprises over which significant influence exists	
	2010	2009	2010	2009	2010	2009
Sale of goods, spare parts, etc.	3514.97@	-	-	-	440.77	69.90
Purchase of goods/services	1355.96@	-	-	-	923.76#	1230.15#
Deposits given	-	-	-	-	-	2.90
Interest income	11.46@	-	-	-	19.92	-
Miscellaneous Income	3.04@	-	-	-	-	-
Rent and hire charges received	-	-	-	-	122.20	108.14
Rent paid	-	-	-	-	31.95	25.13
Payments for employees on deputation	-	-	-	-	79.20	73.02
Donations given	-	-	-	-	104.00	96.70
Expenses recovered	1044.46@	-	0.79	0.53	0.33	1.26
Expenses reimbursed	-	-	-	-	4.11	7.56
Balance written off	-	-	-	-	0.01	-
Dividend payment (gross)						
- Philip Morris International Finance Corpn.	652.52	934.18	-	-	-	-
Subscription to equity shares of						
- IPM India Wholesale Trading Private Limited	496.00@	-	-	-	-	-
Managerial remuneration ##	-	-	345.04	259.23	-	-
Balance outstanding as at the year end						
- Sundry debtors	33.53@	-	-	-	214.66	-
- Loans and advances	74.36@	-	-	1.99	18.82	28.64
- Sundry creditors	7.20@	-	-	0.04	592.91	579.96

includes Rs.769.80 lacs (previous year Rs. 1135.89 lacs) from Beacon Travels Private Limited

@ From IPM India Wholesale Trading Private Limited

excludes incremental liability for gratuity and compensated absences which are actuarially determined on an overall basis.

12. Segment reporting disclosures under Accounting Standard 17

(A) Business segments:

Based on the guiding principles given in Accounting Standard-17 "Segment Reporting", the Group's primary business segments are (a) Cigarette and tobacco products; (b) Tea and other retail products and (c) Others (investment and real estate business activities of the subsidiaries).

(B) Geographical segments:

Since the Group's activities/operations are primarily within the country and considering the nature of products it deals in, the risks and returns are same and as such there is only one geographical segment.



SCHEDULE 16 – Notes to the consolidated accounts (contd.)

Financial information about the primary business segments is presented in the table below:

Rupees in lacs									
	Cigarette and tobacco products	Tea and other retail products	Others	Total	Cigarette and tobacco products	Tea and other retail products	Others	Total	
For the year ended March 31, 2010					For the year ended March 31, 2009				
1. Segment revenue	- External sales (gross)	248748.20	12018.07	-	260766.27	216687.61	10217.54	-	226905.15
	- Less: Excise duty	122378.91	-	-	122378.91	113695.63	-	-	113695.63
	- Net sales	126369.29	12018.07	-	138387.36	102991.98	10217.54	-	113209.52
	- Other income	2034.06	77.46	23.64	2135.16	2012.70	61.73	(31.80)	2042.63
	- Total	128403.35	12095.53	23.64	140522.52	105004.68	10279.27	(31.80)	115252.15
	- Unallocable income				4037.90				3180.01
	Total revenue				144560.42				118432.16
2. Segment result		14473.01	(675.50)	(71.72)	13725.79	17429.41	(1309.55)	(131.09)	15988.77
	- Unallocable income net of unallocable expenses				3946.69				1168.64
	Profit before interest and taxation				17672.48				17157.41
	- Interest expenses				(680.09)				(572.34)
	- Provision for taxation				(5019.74)				(5761.78)
	Profit after taxation before share of results of an associate and minority interests				11972.65				10823.29
	Share of net (loss)/profit of associates				(495.01)				2.34
	Profit after taxation before minority interests				11477.64				10825.63
3. Other information		As at March 31, 2010			As at March 31, 2009				
a) Segment assets		80691.28	4055.80	3358.94	88106.02	71015.25	3269.92	2990.28	77275.45
	- Unallocable assets/investments				20567.09				23563.23
	Total assets				108673.11				100838.68
b) Segment liabilities		23199.90	1238.79	10.47	24449.16	26199.34	1058.85	26.18	27284.37
	- Share capital, reserves and minority interests				68400.41				59954.25
	- Unallocable liabilities				15823.54				13600.06
	Total liabilities				108673.11				100838.68
		As at March 31, 2010			As at March 31, 2009				
c) Capital expenditure including capital work in progress		10535.40	46.66	-	10582.06	14158.63	45.61	-	14204.24
d) Depreciation and amortization		3704.14	52.05	-	3756.19	3051.69	53.65	-	3105.34
e) Non cash expenditure other than depreciation		298.29	26.87	-	325.16	481.67	42.11	-	523.78

Segment accounting policies:

In addition to the significant accounting policies applicable to the business segments as set out in Note 2 in Schedule 16, the accounting policies in relation to segment accounting are as under:

a) Segment revenue and expenses:

Segment revenue and expense only include items directly attributable to the segment. They do not include income from or loss on investments (other than relatable to the business activity of the investment subsidiaries), interest income from inter-corporate deposits and loans given, interest expense (excluding those relatable to segments) and bill discounting charges, donations and provision for taxation (current, deferred and fringe benefit tax). Since the corporate office of the Parent Company primarily caters to the cigarette and tobacco products segment, its expenses have been considered to be attributable to the same.

b) Segment assets and liabilities:

All segment assets and liabilities are directly attributable to the segment.

Segment assets include all operating assets used by the segment and consist principally of net fixed assets, inventories, sundry debtors, loans and advances and operating cash and bank balances. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include investments (other than those held by the investment subsidiaries), inter-corporate deposits and loans given, bank balances for unclaimed dividend and fixed deposits interest, real estate stock, share capital, reserves and surplus, loan funds, dividends payable and income-tax (current, deferred and fringe benefit tax).



SCHEDULE 16 – Notes to the consolidated accounts (contd.)

13. Employee Benefits

The Company has classified the various benefits provided to employees as under -

I. Defined contribution plans and amounts recognized in profit and loss account

	For the year ended 31.03.2010	Rupees in lacs For the year ended 31.03.2009
Employers' contribution to provident fund and employee's pension scheme	708.00	578.86
Employers' contribution to superannuation fund	256.26	241.50
Employers' contribution to employee's state insurance	3.02	1.18

II. Other long term employee benefits (based on actuarial valuation)

- Compensated absences – amount recognized in profit and loss account – Rs.532.69 lacs; previous year Rs.746.01 lacs.

III. Defined benefit plans (based on actuarial valuation)

- Gratuity

In accordance with Accounting Standard 15 (revised 2005), actuarial valuation was done in respect of the aforesaid defined benefit plan and details of the same is given below:

	For the year ended 31.03.2010	Gratuity (Funded) For the year ended 31.03.2009
A) Principal Assumptions		
• Discount rate (per annum)	8.20%	7%
• Rate of increase in compensation levels	Management: 9% p.a. for first 4 years & 7% p.a. thereafter Non Management: 7%	Management: 9% p.a. for first 5 years & 7% p.a. thereafter Non Management: 6%
• Expected rate of return on plan assets	7.50%	7.50%
• Expected average remaining working lives of employees	11.01 / 9.97 years	12.09 / 10.19 years
• Retirement age	58 years	58 years
		Rupees in lacs
	For the year ended 31.03.2010	For the year ended 31.03.2009
B) Changes in the present value of obligation		
• Present value of obligation as at the beginning of the year	3827.40	3171.82
• Interest cost	258.20	229.55
• Current service cost	217.57	157.14
• Benefits paid	(196.06)	(244.79)
• Actuarial (gain)/loss on obligations	119.88	513.68
• Present value of obligation as at the end of the year	4226.99	3827.40
C) Change in the fair value of plan assets		
• Fair value of plan assets as at the beginning of the year	3200.57	2537.68
• Expected return on plan assets	227.19	176.06
• Actuarial gain/ (loss) on plan assets	66.45	117.88
• Contributions received	639.12	613.73
• Benefits paid	(196.06)	(244.78)
• Fair value of plan assets as at the end of the year	3937.27	3200.57
D) Excess of fair value over book value of plan assets	22.69	12.29
E) Excess of book value of plan assets over present value of obligation	0.86	-
F) Net liability recognized in the balance sheet (B-C+D+E)	313.27	639.12



GODFREY PHILLIPS
—INDIA LIMITED—

SCHEDULE 16 – Notes to the consolidated accounts (contd.)

Rupees in lacs

For the year ended
31.03.2010

For the year ended
31.03.2009

G) Constitution of plan assets

• Government Securities	1390.53	1366.77
• Public Sector Bonds	2478.17	1823.50
• Special Deposit Schemes	18.97	18.97
• Others	49.60	(8.67)
• Total	3937.27	3200.57

H) Expenses recognized in the profit and loss account

• Current service cost	217.57	157.13
• Interest cost	258.20	229.56
• Expected return on plan assets	(227.19)	(176.06)
• Net actuarial (gain)/ loss	64.69	400.24
• Total	313.27	610.87

14. (a) Foreign currency exposures that are not hedged by derivative instruments or otherwise are as follows:

Particulars	As at March 31, 2010		As at March 31, 2009	
	Amount in foreign Currency (Lacs)	Amount in Rs. Lacs	Amount in foreign Currency (Lacs)	Amount in Rs. Lacs
Loan funds	202.59 USD	9233.85	135.11 USD	6951.63
Sundry debtors	6.30 USD	281.42	9.73 USD	491.66
	0.01 EURO	0.60	0.31 EURO	20.68
Current liabilities and provisions	13.40 USD	614.87	7.19 USD	369.93
	2.52 EURO	150.82	3.60 EURO	246.01
	0.97 GBP	66.87	0.41 GBP	30.27
	0.77 HKD	4.43	0.66 HKD	4.30
(b) Derivative instrument outstanding as at year end:				
(i) Currency option and interest rate swap to hedge exposure in foreign currency loan and interest thereon	21765.00 JPY	9233.85	13500.00 JPY	5665.38
(ii) Forward Exchange contracts to hedge future export proceeds	-	-	25.90 USD	1308.73
(iii) Total number of contracts (nos.)	-	-	-	9.00

15. The figures for the previous year have been re-cast, wherever necessary to conform to the current year's classification.

For and on behalf of the Board of Directors

S. SERU
Chief Executive

SAMIR KUMAR MODI
Executive Director

R.A. SHAH
Chairman

R.N. AGARWAL
Chief Financial Officer

R. RAMAMURTHY
Whole-time Director

K.K. MODI
President

New Delhi : May 29, 2010

SANJAY GUPTA
Company Secretary

C.M. MANIAR
LALIT BHASIN
O.P. VAISH
ANUP N. KOTHARI

Directors